

REGISTERED NUMBER: 05835402 (England and Wales)

HARWORTH ESTATES WARWICKSHIRE LIMITED
STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018



HARWORTH ESTATES WARWICKSHIRE LIMITED (REGISTERED NUMBER: 05835402)

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FOR THE YEAR ENDED 31 DECEMBER 2018**

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HARWORTH ESTATES WARWICKSHIRE LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2018**

DIRECTORS:

R O Michaelson
I R Ball

SECRETARY:

Harworth Secretariat Services Limited

REGISTERED OFFICE:

Advantage House Poplar Way
Catcliffe
Rotherham
United Kingdom
S60 5TR

REGISTERED NUMBER:

05835402 (England and Wales)

INDEPENDENT AUDITORS:

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Central Square
29 Wellington St.
Leeds
LS1 4DL

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present their strategic report for the year ended 31 December 2018 .

The Harworth Estates Warwickshire Limited is part of Harworth Group plc (the 'Group').

OBJECTIVE

The objective of the Company is to further the Group's vision to be the leading land and property regeneration specialist in the North of England and Midlands, through its purpose of the creation of sustainable new communities for people to live, work and play. The Company works towards this Group objective through the pursuit of its principal activity as disclosed in the Report of the Directors.

STRATEGY AND KEY PERFORMANCE INDICATORS ("KPI'S")

The strategy of the Company is managed at a Group level and as such is directly aligned with the Group's six strategic priorities to achieve its purpose and deliver its vision:

STRATEGIC PRIORITY		KPIs	
1. DEVELOPMENT	Driving the capital growth of our portfolio through delivery of planning permissions, site remediation and infrastructure, before crystallising land sales	EPRA NNNAV growth and total return per share	Value gains
2. INVESTMENT	Ensuring sustainable income generation through asset management of existing rental sites, direct development of new space and recycling of portfolio into higher value adding opportunities.	Profit excluding value gains	Interest cover
3. SECTORS	Concentrating on those property markets with strong, through-the-cycle returns (residential, and industrial & logistics)	Consented and potential residential plots	Consented and potential commercial space
4. REGIONS	Leveraging our strong relationships in our core areas in the North of England and Midlands to expand our land and property portfolio	Number and geographic spread of sites	Number and geographic spread of acres
5. ACQUISITIONS	Growing our portfolio by utilising and recycling capital to buy new sites to maintain net asset value growth across the portfolio (including joint ventures ("JV's"))	Investment in acquisitions and JVs in the year	Disposals less development spend

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

6. FINANCING	Maintaining the Group's low balance sheet gearing to complement risk-appropriate high operational gearing	Net loan to value	Net debt
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BUSINESS MODEL

The business model is also managed at a Group level. The strategy and business model of the Group remain well-suited to the fundamentals of the "beds and sheds" markets across the North of England and the Midlands in which the Group operates. The Group is divided into two operating segments: Capital Growth and Income Generation. The Group's portfolio of land can be exploited by either segment, with some sites bringing both elements to bear.

The Income Generation segment focuses on generating rental returns from the business space portfolio, rental returns and royalties from energy generation, environmental technologies and the agricultural portfolio, and income generating streams from recycled aggregates and secondary coal products.

The Capital Growth segment focuses on delivering value by developing the underlying investment and development property portfolios, and includes planning and development activity, value engineering, proactive asset management and strategic land acquisitions.

All operations are carried out in the United Kingdom.

The way in which Harworth Estates Warwickshire Limited contributes to the Group strategy is outlined in the principal activity in the Report of the Directors.

DEVELOPMENT AND PERFORMANCE OF THE BUSINESS

Detail on the development and performance of the business has been disclosed in the Report of the Directors.

TREASURY POLICY

The Company is part of a borrowing facility across the wider Group which is in the name Harworth Estates Property Group Limited ('HEPGL') whose ultimate parent company is Harworth Group plc. This borrowing facility expires on 13 February 2023 after being extended for two years on 13 February 2018. Cash is centrally pooled to maximise returns and limit borrowings across the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors of Harworth Group plc manage risks at a Group level, rather than at an individual business unit level. For this reason, the Company's Directors believe that a discussion of the Company's risks would not be appropriate for an understanding of the development, performance or position of the Company. The principal risks and uncertainties of the Group, which include those of the Company, are disclosed in the annual report of Harworth Group plc, the largest of the Group's undertakings to consolidate these financial statements at 31 December 2018 which does not form part of this report.

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

EMPLOYEE DIVERSITY

Recruitment, remuneration and nomination are reviewed at a Group level. At a Group level, the Nomination Committee takes the lead on promoting and assessing the achievement of diversity across the business, in alignment with the UK Corporate Governance Code (2016 and 2018 applicable from 1 January 2019). Further disclosure on employee diversity within the Group can be found in the Annual Report of the Group.

ON BEHALF OF THE BOARD:



.....
R O Michaelson - Director

Date: 30 September 2019

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present their report with the financial statements of the company for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

Harworth Estates Warwickshire Limited is a trading company of the Group and holds a portfolio of investments which contribute to the Group strategy.

The Company has a portfolio of investment properties which can be divided into the following categories:

Natural resources; sites in our income generation segment which are managed by the natural resources team for the development of low carbon energy projects and recovery of minerals. These sites will either be sold with a suitable planning permission or we will retain the land and enter long leases with a third party operator.

The profit for the year was £296,000 (2017: loss of £357,000).

DIVIDENDS

The Directors have not recommended a dividend (2017: £nil).

FUTURE DEVELOPMENTS

Future developments will be consistent with the principal activity outlined above.

DIRECTORS

R O Michaelson has held office during the whole of the period from 1 January 2018 to the date of this report.

Other changes in directors holding office are as follows:

I R Ball - resigned 30 November 2018
C M Birch - resigned 30 November 2018
G Owens - resigned 30 November 2018
P M Wilson - resigned 21 June 2018

I R Ball was appointed as a director after 31 December 2018 but prior to the date of this report.

A M D Kirkman ceased to be a director after 31 December 2018 but prior to the date of this report.

QUALIFYING THIRD PARTY INDEMNITY INSURANCE

Directors' and officers' insurance is maintained at an appropriate level in respect of legal action against the Directors. These arrangements were in place throughout the financial year and up to the date of approval of the financial statements.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2018**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, Report of the Directors and Audited Financial Statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

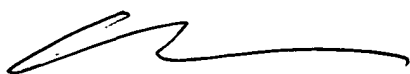
DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, PricewaterhouseCoopers LLP, were re-appointed at the Annual General Meeting which took place on 21st May 2019.

ON BEHALF OF THE BOARD:



.....
R O Michaelson - Director

Date: 30 September 2019

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
HARWORTH ESTATES WARWICKSHIRE LIMITED (REGISTERED NUMBER: 05835402)**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, Harworth Estates Warwickshire Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Report of the Directors and Audited Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
HARWORTH ESTATES WARWICKSHIRE LIMITED (REGISTERED NUMBER: 05835402)**

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
HARWORTH ESTATES WARWICKSHIRE LIMITED (REGISTERED NUMBER: 05835402)**

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Andy Ward (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

Date: 30 September 2019

HARWORTH ESTATES WARWICKSHIRE LIMITED (REGISTERED NUMBER: 05835402)

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	2018 £'000	2017 £'000
REVENUE		-	-
Administrative expenses		<u>(37)</u>	<u>(24)</u>
		(37)	(24)
Other operating income/(expense)		38	-
Gain/(loss) on revaluation of assets		<u>202</u>	<u>(333)</u>
PROFIT/(LOSS) BEFORE TAXATION	4	203	(357)
Tax on profit/(loss)	6	<u>93</u>	<u>-</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>296</u>	<u>(357)</u>

The notes on pages 14 to 24 form part of these financial statements

HARWORTH ESTATES WARWICKSHIRE LIMITED (REGISTERED NUMBER: 05835402)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	2018 £'000	2017 £'000
PROFIT/(LOSS) FOR THE YEAR		296	(357)
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u>296</u>	<u>(357)</u>

The notes on pages 14 to 24 form part of these financial statements

HARWORTH ESTATES WARWICKSHIRE LIMITED (REGISTERED NUMBER: 05835402)

STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2018

	Notes	2018 £'000	2017 £'000
FIXED ASSETS			
Investment property	9	731	500
CURRENT ASSETS			
Debtors: amounts falling due within one year	10	14	-
Debtors: amounts falling due after more than one year	10	<u>8</u>	<u>-</u>
		22	-
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	<u>(849)</u>	<u>(807)</u>
NET CURRENT LIABILITIES		<u>(827)</u>	<u>(807)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(96)	(307)
PROVISIONS FOR LIABILITIES	12	<u>-</u>	<u>(85)</u>
NET LIABILITIES		<u>(96)</u>	<u>(392)</u>
CAPITAL AND RESERVES			
Called up share capital	13	-	-
Retained earnings	14	<u>(96)</u>	<u>(392)</u>
SHAREHOLDERS' FUNDS		<u>(96)</u>	<u>(392)</u>

The financial statements were approved by the Board of Directors on 30 September 2019 and were signed on its behalf by:



.....
R O Michaelson - Director

The notes on pages 14 to 24 form part of these financial statements

HARWORTH ESTATES WARWICKSHIRE LIMITED (REGISTERED NUMBER: 05835402)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Retained earnings £'000	Total equity £'000
Balance at 1 January 2017	(35)	(35)
Changes in equity		
Total comprehensive loss	<u>(357)</u>	<u>(357)</u>
Balance at 31 December 2017	<u>(392)</u>	<u>(392)</u>
Changes in equity		
Total comprehensive income	<u>296</u>	<u>296</u>
Balance at 31 December 2018	<u><u>(96)</u></u>	<u><u>(96)</u></u>

The notes on pages 14 to 24 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. STATUTORY INFORMATION

Harworth Estates Warwickshire Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

The principal accounting policies adopted in the preparation of these financial statements are in line with those used for the Group and set out in the financial statements of Harworth Group Plc, and also set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
 - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
 - paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

2. ACCOUNTING POLICIES - continued

Going concern

These financial statements are prepared on the basis that the Company is a going concern. In forming its opinion as to going concern, the Directors have considered the reliance the Company places on the ability of the Group to provide financial support to the Company.

The Board of Harworth Group plc prepares cash flow forecasts based upon its assumptions with particular consideration to the key risks and uncertainties as summarised in 'Managing Risk' in the Harworth Group plc annual report, as well as taking into account the available borrowing facilities in line with the Treasury Policy disclosed in the Strategic Report.

The key factor that has been considered in this regard is:

Bank funding arrangements for the Group contain, in certain cases, covenants based upon, in particular, revenue and loan to property values. Property valuations affect the loan to value covenants. Breach of covenants could result in the need to pay down in part some of these loans, additional costs, or a renegotiation of terms or, in extremis, a reduction or withdrawal of facilities by the banks concerned.

Further details of the Groups financing arrangements are disclosed in the notes to the financial statements.

The Directors confirm their belief it is appropriate to use the going concern basis of preparation for these financial statements.

Critical accounting judgements and key sources of estimation uncertainty

Many of the amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies and/or the notes to the financial statements, and the key areas summarised below.

Areas of judgement and sources of estimation uncertainty that have the most significant effect on the amounts recognised in the financial statements are:

Estimation and classification of fair value of properties

The fair value of properties reflects where applicable, amongst other things, rental income from our current leases, assumptions about rental income from future leases and/or the possible outcome of planning applications, in the light of current market conditions. The valuation has been arrived at primarily after consideration of market evidence for similar property, although in the case of those properties where it is considered market value will be informed by their ultimate redevelopment potential, development appraisals have been undertaken to estimate the residual value of the landholding after due regard to the cost of, and revenue from the development of the property. In such instances, on account of the sensitivity of the market value to the detail of any future planning consent, and the potential for material variance in the actuality of development costs, as compared with our own estimates, together with the subjective nature of hope value, the values reported are subject to material uncertainty, and a change in fair values could have a material impact on the Company's results.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

2. ACCOUNTING POLICIES - continued

Investment properties

Investment properties are those properties which are not occupied by the Group and which are held for long term rental yields, capital appreciation or both. Investment property also includes property that is being developed or constructed for future use as investment property by the Group. Investment properties comprise freehold land and buildings and are measured at fair value. At the end of a financial year the fair values are determined by obtaining an independent valuation prepared in accordance with the current edition of the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors. External, independent valuation firms having appropriate, recognised professional qualifications and recent experience in the location and category of property being valued are used. Investment properties are re-categorised as development properties and moved to inventory once planning is secured and the intention to bring those properties forward for development and sale has been agreed. At each subsequent reporting date, investment properties are re-measured to their fair value. Movements in fair value are included in the income statement. Where specific investment properties have been identified as being for sale within the next twelve months, a sale is considered highly probable and the property is immediately available for sale, their fair value is shown under assets classified as held for sale within current assets, measured in accordance with the provisions of IAS 40 'Investment Property'.

Profit or loss on disposal of investment properties

Disposals are accounted for when control of the investment property has been passed to a customer, typically at the point of legal completion and when title has passed. Profits or losses on disposal arise from deducting the asset's net carrying value, selling costs and where appropriate a proportion of future costs attributable to the development of the overall land area from the net proceeds (being net purchase consideration less any clawback liability arising on disposal) and is recognised in the income statement. Net carrying value includes valuation in the case of investment properties.

Taxation

Current Tax

The charge or credit for current tax is based on the results for the year adjusted for items that are either not subject to taxation or for expenditure which cannot be deducted in computing the tax charge or credit. The tax charge or credit is calculated using taxation rates that have been enacted or substantively enacted at the balance sheet date.

Deferred Tax

Deferred tax is recognised using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax is recognised in respect of all taxable temporary timing differences, with certain limited exceptions:

- Deferred tax is not provided on the initial recognition of an asset or liability in a transaction that does not affect accounting profit or taxable profit and is not a business combination; and
- Deferred tax assets are only recognised if it is probable that there will be sufficient profits from which the future reversal of the underlying timing differences can be deducted.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

2. ACCOUNTING POLICIES - continued

In deciding whether future reversal is probable, the Directors review the Group's forecasts and make an estimate of the aggregate deferred tax asset that should be recognised. This aggregate deferred tax asset is then allocated into the different categories of deferred tax. Deferred tax is calculated at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the income statement, except where it applies to items credited or charged to equity, in which case the deferred tax is also dealt with in equity. The carrying value of the Group's investment property is assumed to be realised by sale at the end of use. The capital gains tax rate applied is that which would apply on a direct sale of the property recorded in the Balance Sheet regardless of whether the Group would structure the sale via the disposal of the subsidiary holding the asset, to which a different tax rate may apply. The deferred tax is then calculated based on the respective temporary differences and tax consequences arising from recovery through sale.

Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payables are classified as current if payment is due within one year or less, if not they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Changes in accounting policy and disclosures

The new standards, amendments or interpretations effective for the first time for the financial year beginning on or after 1 January 2018 are:

IFRS 9

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling through profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different from that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. The impact of IFRS 9 has been assessed on the financial instruments of the Company and no adjustments have been required.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

2. ACCOUNTING POLICIES - continued

IFRS 15

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018. The Group performed a detailed assessment of the impact of IFRS 15 on revenue streams and policies for 2017. This highlighted that revenues relating to the sales of development properties, particularly where revenue involves a deferred element or conditions subsequent exist, were specifically affected by the standard as were certain promote agreements. There was no impact of IFRS 15 on profit for 2018 or 2017.

3. EMPLOYEES AND DIRECTORS

The Company has no employees (2017: none). Harworth Estates Limited's employees carried out all of the activities of the Company, for which there is no recharge (2017: £nil).

The Directors receive emoluments for services to the wider Group for which no recharges occur (2017: £nil), as the Directors are directors of a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries.

Details of the emoluments of the Directors of the Company are disclosed in the financial statements of Harworth Group plc, the ultimate parent company at 31 December 2018 of Harworth Estates Limited.

4. PROFIT/(LOSS) BEFORE TAXATION

Profit before taxation is £203,000 (2017: loss of £357,000). There are no costs which are required to be disclosed separately.

5. AUDITORS' REMUNERATION

The cost of the audit of the Group subsidiaries pursuant to legislation is borne by Harworth Estates Limited for which there is no recharge. The total cost for all subsidiaries for the year was £121,000 (2017: £111,000).

In the context of a group audit, work will often be performed on a subsidiary's accounts by both a head office audit team and a subsidiary audit team from the parent company's auditor. It is considered to be generally reasonable to allocate the fee for all such work performed by the head office team to the group audit fee. As such, whilst there is no recharge of audit fees around the Group, under Regulation 5(1)(a), a reasonable allocation to each subsidiary represents £8,500 (2017: £8,000) where the subsidiary has a portfolio of properties, £1,700 (2017: £1,500) where no portfolio is held, £2,500 (2017: £2,000) for management companies and £5,000 (2017: £4,750) for holding companies providing management services.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

6. TAXATION

Analysis of tax income

	2018 £'000	2017 £'000
Deferred tax:		
Current year	(104)	-
Effect of changes in tax rates	11	-
Total deferred tax	(93)	-
Total tax income in income statement	(93)	-

Factors affecting the tax expense

The tax assessed for the year is lower (2017 - higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2018 £'000	2017 £'000
Profit/(loss) before income tax	203	(357)
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19.250%)	38	(69)
Effects of:		
Tax rate changes	11	-
Group relief	7	5
Movement in revaluations	(149)	64
Tax income	(93)	-

Deferred taxation

The gross movement on the deferred income tax liability/ (asset) is as follows:

	2018 £'000	2017 £'000
At 1 January	85	85
Deferred tax charge/ (credit) to the income statement for the year	(93)	-
At 31 December	(8)	85

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

6. TAXATION - continued

	Losses £'000	Gains £'000	Total £'000
At 1 January 2017	-	85	85
Charged/ (credited) to income statement	-	-	-
At 31 December 2017	-	85	85
Charged/ (credited) to income statement	(8)	(85)	(93)
At 31 December 2018	(8)	-	(8)

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (2017: 17%). A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020), was enacted as part of the Finance Act 2015. The deferred tax liabilities are shown at 17% (2017: 17%) being the rate expected to apply to the reversal of the liability.

Unrecognised deferred tax:

	2018 £'000
Gains	(27)
	(27)

7. GAIN/(LOSS) ON REVALUATION OF ASSETS

	2018 £'000	2017 £'000
Gain/(loss) on revaluation of investment property	202	(333)
	202	(333)

8. OTHER OPERATING INCOME/(EXPENSE)

	2018 £'000	2017 £'000
Gain/(loss) on disposal of investment property	38	-
	38	-

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

9. INVESTMENT PROPERTY

	2018 £'000	2017 £'000
At 1 January	500	514
Subsequent expenditure	59	319
Disposals	(30)	-
Net increase/(decrease) in fair value	202	(333)
At 31 December	731	500

Valuation process

The properties were valued in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation - Professional Standards (the 'Red Book') by BNP Paribas Real Estate and Savills. Both are independent firms acting in the capacity of external valuers with relevant experience of valuations of this nature. The valuations are on the basis of Market Value as defined by the Red Book, which RICS considers meets the criteria for assessing Fair Value under International Financial Reporting Standards. The valuations are based on what is determined to be the highest and best use. When considering the highest and best use a valuer will consider, on a property by property basis, its actual and potential uses which are physically, legally and financially viable. Where the highest and best use differs from the existing use, the valuer will consider the cost and the likelihood of achieving and implementing this change in arriving at its valuation.

Most of the Group's properties have been valued on the basis of their development potential which differs from their existing use.

At each financial year end, management:

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

The different valuation levels are defined as:

Level 1: valuation based on quoted market prices traded in active markets.

Level 2: valuation based on inputs other than quoted prices included within Level 1 that maximise the use of observable data either directly or from market prices or indirectly derived from market prices.

Level 3: where one or more inputs to valuation are not based on observable market data.

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

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

9. INVESTMENT PROPERTY - continued

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the date of the event or change in circumstance that caused the transfer. There were no transfers between hierarchy levels in the year ended 31 December 2018 (2017: none).

The valuation techniques underlying managements estimation of fair values represent discounted cashflow (adjusted for relevant factors) or market comparison basis dependent on the type of property.

10. DEBTORS

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Other debtors	<u>14</u>	<u>-</u>
Amounts falling due after more than one year:		
Deferred tax asset	<u>8</u>	<u>-</u>
Aggregate amounts	<u>22</u>	<u>-</u>

Amounts owed by other Group companies are payable on demand, are unsecured and carry interest at LIBOR + 2% (2017: LIBOR + 2%).

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £'000	2017 £'000
Trade payables	43	-
Amounts owed to group undertakings	806	806
Accruals and deferred income	<u>-</u>	<u>1</u>
	<u>849</u>	<u>807</u>

Amounts owed to other Group companies are payable on demand, are unsecured and carry interest at LIBOR + 2% (2017: LIBOR + 2%). No interest is charged to the Company if the Company has negative net assets.

12. PROVISIONS FOR LIABILITIES

	2017 £'000
Deferred tax	<u>85</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

12. PROVISIONS FOR LIABILITIES - continued

	Deferred tax £'000
Balance at 1 January 2018	85
Credit to Income Statement during year	<u>(93)</u>
Balance at 31 December 2018	<u>(8)</u>

13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value: £1	2018 £'000	2017 £'000
Number:	Class:			
1	Ordinary		<u>-</u>	<u>-</u>

14. RESERVES

	Retained earnings £'000
At 1 January 2018	(392)
Profit for the year	<u>296</u>
At 31 December 2018	<u>(96)</u>

15. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

Harworth Group plc is regarded by the directors as being the company's ultimate parent company.

The immediate parent company at the 31 December 2018 was Harworth Estates Limited, a company incorporated in the United Kingdom.

Harworth Group plc is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2018. The consolidated financial statements of Harworth Group plc are available from Advantage House, Poplar Way, Catcliffe, Rotherham, United Kingdom, S60 5TR.

16. CONTINGENT LIABILITIES

The Company is a guarantor of the non-amortising £100m revolving credit facility ('RCF') with a five year term that Harworth Estates Property Group Limited ('HEPGL') entered into with The Royal Bank of Scotland ('RBS') and Santander. The facility is in the form of a debenture security whereby there is no charge on the individual assets of this Group. The facility is subject to financial and other covenants.

The facility is repayable on 13 February 2023 (five year term) after being extended for a further two years on 13 February 2018. On 30 April 2018 Santander UK Plc provided an additional £25m of funding to the RCF to sit alongside the existing £75m commitment from RBS, thereby making the total commitment £100m.

At 31 December 2018 HEPGL had bank borrowings of £58.7m (2017: £23.4m).