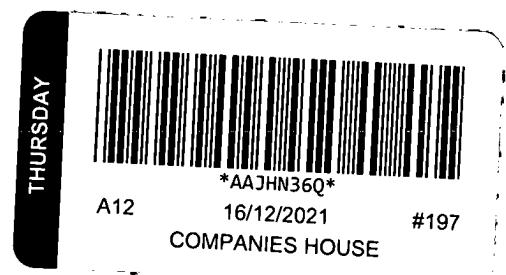


**REGISTERED NUMBER: 08228494 (England and Wales)**

**HARWORTH ESTATES MINES PROPERTY LIMITED**  
**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND**  
**AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**



**CONTENTS OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**HARWORTH ESTATES MINES PROPERTY LIMITED**

**COMPANY INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**DIRECTORS:**

K J Patmore  
L M Shillaw  
A Blackshaw  
C M Birch  
J M Haigh

**REGISTERED OFFICE:**

Advantage House, Poplar Way  
Catcliffe  
Rotherham  
United Kingdom  
S60 5TR

**REGISTERED NUMBER:**

08228494 (England and Wales)

**INDEPENDENT AUDITORS:**

Ernst & Young LLP  
1 Bridgewater Place  
Water Lane  
Leeds  
LS11 5QR

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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The Directors present their Strategic Report for the year ended 31 December 2020.

Harworth Estates Mines Property 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 five strategic priorities to achieve its purpose and deliver its vision:

<b>STRATEGIC PRIORITY</b>		<b>KPI's</b>	
1. DEVELOPMENT	Driving the capital growth of our portfolio through new strategic property acquisitions, delivery of planning permissions, site remediation and infrastructure, before crystallising land sales.	Total return	Value gains
		EPRA (European Public Real Estate Association) NDV per share growth	Sustainability & placemaking credentials
2. INVESTMENT	Ensuring sustainable income generation through new income acquisitions, asset management of existing rental sites, direct development of new space and recycling of portfolio into higher value adding opportunities.	Profit excluding value gains	Sustainability & placemaking credentials
		Future pipeline of employment space	
3. SECTORS	Concentrating on those property markets with strong, through-the-cycle returns.	Residential plots & employment space delivered	Planning permission submitted & approved

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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4. REGIONS	Leveraging our strong relationships in our core areas in the North of England and the Midlands to deliver growth to our portfolio and these regions.	Potential Gross Value Added that could be delivered from portfolio	
5. FINANCING	Expanding our use of alternative capital sources whilst maintaining our low balance sheet gearing to support the business and enhance returns.	Net debt	Net loan to portfolio value

The environmental impact of Harworth Estates Mines Property Limited is managed at a Group level.

Harworth's Environmental Management Policy is to ensure the effective control of environmental risks and as part of this, the Group operates a management system to ensure environmental issues are considered at all levels. The policy advocates the promotion of sustainable and environmental opportunities by active resource management and waste minimisation.

Examples of environmental key performance indicators which are measured at a Group level are:

- Emissions reported in tonnes of CO2 equivalents (CO2e) in reference to:

- a) Fuel use in vehicles by staff in pursuance of their duties
- b) Gas oil used in plant at operational sites
- c) Electricity (non-rechargeable) usage on Harworth sites

- Number of households capable of being powered by energy generation on Harworth sites (both current and potential)

Further detail on the Group's approach to sustainability and how it minimises the effect of its activities on the environment is disclosed in the annual report of Harworth Group plc.

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**SECTION 172(1) STATEMENT**

As a member of the Group, the Directors focus on the following key stakeholder categories:

People  
Investors  
Communities  
Government  
Suppliers  
Customers  
Advisers  
Funders  
Joint venture parties  
Regulatory bodies

The Directors have regard to the interests of these stakeholders when making strategic and significant operational decisions.

The Board of Directors of Harworth Group plc continues to monitor the effectiveness of the Company's engagement with its key stakeholders, with a detailed review of the stakeholder "map" now an annual Board activity.

In 2020, we concentrated on embedding stakeholder impact into Board project appraisals. We have updated the project business case templates which are presented to the Board to focus discussions on: how each project supports the delivery of our Purpose and aligns with our strategy; the environmental and societal impact of each project; the impact of each project on our external stakeholder groups; and resourcing for each project.

Further detail on how Harworth Estates Mines Property Limited, as a member of the Group, engages with our stakeholders are disclosed in the annual report of Harworth Group plc.

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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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 Mines Property 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 30 April 2024. 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 2020 which does not form part of this report.

**Impact of COVID-19**

The impact and response to the COVID-19 pandemic has been considered and implemented at a Harworth Group plc level.

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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The key risks considered in the context of COVID-19 are:

- o Finance - availability of capital, shortfalls in income and valuations;
- o Markets - a severe but temporary downturn in the residential markets could reduce potential sales of serviced land and potentially impact on valuations;
- o Delivery - social distancing creating delays in project works on sites and planning approval processes, although many processes have now already adapted to COVID-19 remote working practices; and
- o People - impact on capacity and productivity.

The Group traded well throughout 2020 despite the effects of COVID-19. Capital was prioritised on sites, sales of strategic and non-core land have continued and new lettings have been secured on properties throughout. Discretionary overhead expenditure was reduced where possible. This approach aligns with the Group's existing strategy to manage cashflows to fund development spend and acquisition activity.

In May 2020, RBS and Santander agreed to increase the limit of the RCF to £130m and provided greater flexibility in covenants for the going concern period. In November 2021, RBS and Santander agreed to increase the limit of the RCF to £150m.

**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:**



.....  
C M Birch - Director

Date: 13/12/21 .....



**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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The directors present their report with the financial statements of the company for the year ended 31 December 2020.

**PRINCIPAL ACTIVITIES**

Harworth Estates Mines Property 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:

Agriculture; such sites are part of our income generation segment and are predominately leased out as such, providing a recurring income stream.

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.

Capital growth; sites in the capital growth segment are held for strategic land purposes. The Company seeks to add value through improvement of the planning status of property within the Group's land portfolio. The Company has various sites which fall within this division, predominately through securing planning for residential and commercial development in areas where there is a need to add further housing numbers to meet current and projected local demand or there is demand for commercial development, usually within regeneration areas.

The Company has a number of development sites, categorised as development properties within inventory, which our capital growth teams manage. Sites under these teams generate value through bringing planning and project management expertise to collaborate with partners across sites in the North of England and the Midlands. The team delivers development on consented sites through physically remediating and preparing sites for redevelopment, agreeing land sales with developers and occupiers. These sites are valued at the lower of cost and net realisable value.

The loss for the year was £390,000 (2019: profit of £533,000).

**DIVIDENDS**

The Directors have not recommended a dividend (2019: £nil).

**FUTURE DEVELOPMENTS**

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

**DIRECTORS**

K J Patmore has held office during the whole of the period from 1 January 2020 to the date of this report.

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**DIRECTORS - continued**

Other changes in directors holding office are as follows:

R O Michaelson - resigned 31 December 2020

L M Shillaw - appointed 1 November 2020

A Blackshaw , C M Birch and J M Haigh were appointed as directors after 31 December 2020 but prior to the date of this report.

I R Ball ceased to be a director after 31 December 2020 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.

**GOING CONCERN**

These financial statements are prepared on the going concern basis, which is supported by the detailed assessment included in the Accounting Policies section of this report (refer to note 2).

**ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS**

The way in which Harworth Estates Mines Property Limited, as a member of the Group, engages with suppliers, customers and others is disclosed within the Annual Report of the Group.

**STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS**

The corporate governance arrangements in place for Harworth Estates Mines Property Limited, as a member of the Group, are disclosed within the Annual Report of the Group.

**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.

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued**

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 or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

During the year, Ernst & Young LLP was appointed as auditors to the Company.

**ON BEHALF OF THE BOARD:**



.....  
C M Birch - Director

Date: 13/12/21 .....

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
HARWORTH ESTATES MINES PROPERTY LIMITED (REGISTERED NUMBER: 08228494)**

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**Opinion**

We have audited the financial statements of Harworth Estates Mines Property Limited for the year ended 31 December 2020 which comprise of the Balance Sheet, the Profit and Loss Account, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

o give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;

o have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

o have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and the provisions available for small entities, in the circumstances set out in note 2 to the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of to 31 December 2022.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. 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.

**Other Information**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
HARWORTH ESTATES MINES PROPERTY LIMITED (REGISTERED NUMBER: 08228494)**

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The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

**Responsibilities of directors**

As explained more fully in the Statement of Directors' responsibilities in the Report of the Directors, 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.

**Auditor's 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 auditor's 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.

**Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- o We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are directly relevant to specific assertions in the financial statements are those relate to the reporting framework (UK GAAP - FRS 101 and the Companies Act 2006).
- o We understood how Harworth Estates Mines Property Limited is complying with those frameworks by making enquiries of management, those responsible for legal and compliance procedures and the Company Secretary. We corroborate our enquiries through our review of board minutes, papers provided to and discussions with those charged with governance.
- o We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management and those charged with governance to understand where it considered there was a susceptibility to fraud. We also considered performance targets and the propensity to influence efforts made by management to manage earnings. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud and error.
- o Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved using data analytics to test the full population of journal entries, focusing our work on manual journals and journals indicating large or unusual transactions based on our understanding of the business and enquiries of management. In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards and UK legislation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Use of our report**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
HARWORTH ESTATES MINES PROPERTY LIMITED (REGISTERED NUMBER: 08228494)**

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This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Ernst & Young LLP*

Victoria Venning (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP  
Leeds

Date: 13 December 2021  
Date: .....

**INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020 £'000	2019 £'000
<b>REVENUE</b>	3	835	1,315
Cost of sales		(1,174)	(1,099)
<b>GROSS (LOSS)/PROFIT</b>		(339)	216
Administrative expenses		(398)	(11)
		(737)	205
Other operating (expense)/ income		(357)	784
Gain/(loss) on revaluation of assets		479	(420)
<b>OPERATING (LOSS)/PROFIT</b>		(615)	569
Interest receivable and similar income	5	19	1
<b>(LOSS)/PROFIT BEFORE TAXATION</b>	6	(596)	570
Tax on (loss)/profit	8	206	(37)
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		(390)	533

The notes on pages 19 to 38 form part of these financial statements



**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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	<b>Notes</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
<b>(LOSS)/PROFIT FOR THE YEAR</b>		<b>(390)</b>	<b>533</b>
<b>OTHER COMPREHENSIVE INCOME</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>		<b><u>(390)</u></b>	<b><u>533</u></b>

The notes on pages 19 to 38 form part of these financial statements

**STATEMENT OF FINANCIAL POSITION**  
**31 DECEMBER 2020**

	Notes	2020 £'000	2019 £'000
<b>FIXED ASSETS</b>			
Investments	11	-	-
Investment property	12	3,876	3,734
		<u>3,876</u>	<u>3,734</u>
<b>CURRENT ASSETS</b>			
Inventories	13	14,412	13,248
Debtors: amounts falling due within one year	14	1,659	1,037
Debtors: amounts falling due after more than one year	14	-	387
Assets classified as held for sale	15	117	-
Cash at bank		514	300
		<u>16,702</u>	<u>14,972</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	16	<u>(25,408)</u>	<u>(23,288)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(8,706)</u>	<u>(8,316)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(4,830)</u>	<u>(4,582)</u>
<b>PROVISIONS FOR LIABILITIES</b>	17	-	(55)
<b>PENSION LIABILITY</b>	20	<u>(968)</u>	<u>(771)</u>
<b>NET LIABILITIES</b>		<u><u>(5,798)</u></u>	<u><u>(5,408)</u></u>

The notes on pages 19 to 38 form part of these financial statements

**STATEMENT OF FINANCIAL POSITION - continued**  
**31 DECEMBER 2020**

	Notes	2020 £'000	2019 £'000
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	-	-
Retained earnings	19	(5,798)	(5,408)
<b>SHAREHOLDERS' FUNDS</b>		<u>(5,798)</u>	<u>(5,408)</u>

The financial statements were approved by the Board of Directors and authorised for issue on  
13/12/21..... and were signed on its behalf by:

  
.....  
C M Birch - Director

The notes on pages 19 to 38 form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	<b>Called up share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total equity £'000</b>
<b>Balance at 1 January 2019</b>	-	(5,941)	(5,941)
<b>Changes in equity</b>			
Total comprehensive income	-	533	533
<b>Balance at 31 December 2019</b>	-	(5,408)	(5,408)
<b>Changes in equity</b>			
Total comprehensive loss	-	(390)	(390)
<b>Balance at 31 December 2020</b>	-	(5,798)	(5,798)

The notes on pages 19 to 38 form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**1. STATUTORY INFORMATION**

Harworth Estates Mines Property Limited is a private company, limited by shares, incorporated and domiciled 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.

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**2. ACCOUNTING POLICIES - continued**

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 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 paragraph 52 the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
- the requirements of paragraph 58 of IFRS 16;
- 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.

**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. Harworth Estates Mines Property Limited has received a letter of support from Harworth Estates Property Group Limited ('HEPGL'), which is another entity within the Group. The Directors considered it appropriate to obtain a letter of support from HEPGL because the Group operates and prepares cash flow forecasts on a Group level rather than an individual entity level.

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**2. ACCOUNTING POLICIES - continued**

The Board of Harworth Group plc prepared cash flow forecasts based upon its assumptions with particular consideration to the key risks and uncertainties, as well as taking into account available borrowing facilities. The going concern period assessed is until December 2022 which has been selected as it can be projected with a reasonable degree of expected accuracy and covers a complete period of reporting under the RCF.

The Group continues to remain in a strong financial position to withstand further impact from COVID-19, with cash and bank headroom of £62.7m (as at 31 December 2020). The spread of sites across its three core regions, and at all stages of their lifecycle, enables the close management of non-committed expenditure to preserve liquidity. The Group benefits from diversification across its Capital Growth and Income Generation divisions including an industrial and renewable energy property portfolio. The Income Generation portfolio has continued to generate income that covers the overheads of the business and interest from loan facilities, with rent collections for the December 2020 quarter being broadly in line with previous quarters.

The key risks considered in the context of COVID-19 are:

- o Finance - availability of capital, shortfalls in income and valuations;
- o Markets - a severe but temporary downturn in the residential and commercial markets could reduce potential sales of serviced land and have an adverse impact on valuations;
- o Delivery - social distancing creating delays in project works on sites and planning approval processes, although many processes have now already adapted to COVID-19 remote working practices; and
- o People - capacity and productivity are affected.

The Group traded well throughout 2020 despite the effects of COVID-19. Capital was prioritised on sites, sales of strategic and non-core land have continued and new lettings have been secured on properties throughout. Discretionary overhead expenditure was reduced where possible. This approach aligns with the Group's existing strategy to manage cashflows to fund development spend and acquisition activity.

In May 2020, RBS and Santander agreed to increase the limit of the RCF to £130m and provided greater flexibility in covenants for the going concern period. In November 2021, RBS and Santander agreed to increase the limit of the RCF to £150m.

**Balance sheet and cashflow remain resilient throughout downside scenario analysis**

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

- o a severe reduction in sales to the housebuilding sector with some reduction in associated development spend;

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**2. ACCOUNTING POLICIES - continued**

o 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;

o a decline in residential land values; and

o removal of some uncommitted acquisitions and development spend.

A scenario was also run which demonstrates that very severe loss of revenue and valuation reductions would be required to breach cashflow and banking covenants.

Even under the downside scenario, for the going concern period from the signing of these financial statements, the Group continues to project sufficient cash reserves, continues to operate with headroom on lending facilities and associated covenants and has additional mitigation measures within management's control, for example accelerating completion of income generation acquisitions to improve profit excluding value gains and reducing operating costs, that could be deployed to create further cash and covenant headroom.

Based on these considerations, together with available market information and the Directors' knowledge and experience of the Group's property portfolio and markets, the Directors considered it appropriate to adopt the going concern basis of accounting in the preparation of the Company's 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 2020**

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**2. ACCOUNTING POLICIES - continued**

In 2019 and 2020, no new properties were re-categorised from investment to development property.

Valuation of development properties

For the purposes of calculating net realisable value for both EPRA reporting and ensuring that development properties are stated at the lower of cost and net realisable value, the Group obtains an independent valuation of these properties, prepared in accordance with the current edition of the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors.

If the net realisable value of the property is lower than cost, a provision is made, to reduce the value of the property.

**Revenue**

Under IFRS 15 'Revenue from Contracts with Customers', revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control over a product or service to a customer.

Revenue comprises rental and other land related income arising on investment properties and the sale of development properties.

Rental and other land related income is recognised on a straight line basis over the term of the lease. Lease incentives, including rent free periods and payments to tenants, are allocated to the income statement on a straight line basis over the lease term as a deduction from rental and other land related income.

The sale of development properties, including land parcels sold to housebuilders for residential development, usually have performance obligations such as transferring legal title that are satisfied at a point in time. Revenue is recognised when control of the property passes to the buyer on completion of contracts. Any variable consideration including overages is estimated at the point of sale taking into consideration the time to recover overage amounts as well as other factors which may give rise to variability. Revenue is only recognised to the extent that it is highly probable that there will not be a significant reversal in the future. Any deferred consideration is discounted to present value with the discount being unwound to the consolidated income statement as finance income.

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. All such revenue is reported net of discounts, and value added and other sales taxes.

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**2. ACCOUNTING POLICIES - continued**

**Investment properties**

Investment properties are those properties which are not occupied by the Company and which are held for long term rental yields, capital appreciation or both. Investment properties also include property that is being developed or constructed for future use as investment property by the Company. 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 where development with a view to sale has commenced.

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.

**Inventories**

Inventories comprise development properties.

Development properties are included in the balance sheet at the lower of cost and net realisable value. Net realisable value is the expected net sales proceeds of the developed property in the ordinary course of business less estimated costs to complete and anticipated selling costs. Properties re-categorised to development properties from investment properties are transferred at deemed cost, being the fair value at the date of re-categorisation. Properties are re-categorised as development properties once planning is secured and where development with a view to sale has commenced.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**2. ACCOUNTING POLICIES - continued**

**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. 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 other comprehensive income or equity in which case the deferred tax is also dealt with in other comprehensive income or equity.

The carrying value of the Group's investment properties 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.

**Cash**

Cash and cash equivalents include cash in hand and deposits held at call with banks.

**Financial assets**

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**2. ACCOUNTING POLICIES - continued**

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are assessed for their recoverability under the Expected Credit Loss model on a periodic basis with a provision being made if required under this model. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Gains or losses arising from changes in the fair value of financial assets are presented in the income statement within 'other gains' in the year in which they arise.

Interest income is recognised on financial assets by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

**Financial liabilities**

Liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss or other liabilities, as appropriate.

A financial liability is de-recognised when the obligation under the liability is discharged, or cancelled or expires.

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

**Pension**

Following the 2012 Restructuring, the Group's only defined benefit pension liability was in respect of the Blenkinsopp Section of the Industry-Wide Mineworkers Pension Scheme.

During the years to 31 December 2020 and 31 December 2019 all contributions have been paid to the pension fund by Harworth Group plc, as the sponsoring employer.

Harworth Estates Mines Property Limited has guaranteed an indemnity to Harworth Group plc for the Blenkinsopp Pension Scheme liabilities. However, Harworth Group plc has waived the right to reimbursement for the historic contributions that have been paid into the pension fund to date, but not for the overall scheme deficit. As such, a liability has been recognised in the Company's accounts and the liability is equal to the net defined benefit liability on an IAS 19 (Revised) 'Employee benefits' basis. Any movements to the liability are recognised in the income statement of the Company.

**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.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**2. ACCOUNTING POLICIES - continued**

**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 2020 and have not been applied in preparing these financial statements. None of these have a significant effect on the financial statements of the Company.

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

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

**3. REVENUE**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Sales of development properties	614	1,132
Income generation	222	170
Other property activities	-	13
	<u>835</u>	<u>1,315</u>

**4. EMPLOYEES AND DIRECTORS**

The Company has no employees (2019: none). Harworth Estates Limited's employees carried out all of the activities of the Company for which there has been a recharge during the year (2019: £nil).

The recharge from Harworth Estates Limited to the Company also includes a recharge of general overhead costs which Harworth Estates Limited incurs on behalf of the Group. The total recharge from Harworth Estates Limited to the Company was £261,000 (2019: £nil). The recharges have been made in 2020 for the first time.

The Directors receive emoluments for services to the wider Group for which no recharge is made to the Company (2019: £nil).

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**5. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Other interest receivable	11	1
Interest on group loans receivable	8	-
	<u>19</u>	<u>1</u>

**6. (LOSS)/PROFIT BEFORE TAXATION**

Loss before taxation is stated after charging:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Cost of inventories recognised as expense	1,143	998

The total cost of inventory recognised as an expense within cost of sales in the year is £1.1m (2019: £1.0m) comprised of: £0.8m (2019: £1.0m) relating to the sale of development properties, and a charge of £0.3m (2019: £nil) in relation to impairment of development property.

**7. AUDITORS' REMUNERATION**

The cost of the audit of the Group subsidiaries pursuant to legislation is borne by another member of the Group. In the current year, a recharge has been made in respect of auditors' remuneration. The recharge of audit costs during the year to the Company was £7,000 (2019: £nil).

Auditors' remuneration in relation to non-audit services during the year was £nil (2019: £nil).

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**8. TAXATION****Analysis of tax (income)/expense**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Current tax:		
Current income tax charge	-	78
Adjustment in respect of prior years	(78)	-
Total current tax	<u>(78)</u>	<u>78</u>
Deferred tax:		
Current year	(104)	(46)
Effect of changes in tax rates	3	5
Adjustment in respect of prior years	(27)	-
Total deferred tax	<u>(128)</u>	<u>(41)</u>
Total tax (income)/expense in income statement	<u><u>(206)</u></u>	<u><u>37</u></u>

**Factors affecting the tax expense**

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
(Loss)/profit before income tax	<u>(596)</u>	<u>570</u>
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	(113)	108
Effects of:		
Adjustments in respect of prior years	(105)	-
Expenses not deductible for tax purposes	6	1
Tax rate changes	3	5
Effects of group relief and other reliefs	76	(150)
Movement in revaluations	(79)	73
Movements from assets held for sale to investment property	<u>6</u>	<u>-</u>
Tax (income)/expense	<u><u>(206)</u></u>	<u><u>37</u></u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**8. TAXATION - continued****Deferred taxation**

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
At 1 January	55	96
Adjustment in respect of prior years	(27)	-
Deferred tax charge/ (credit) to the income statement for the year	(101)	(41)
At 31 December	<u>(72)</u>	<u>55</u>

	<b>Fixed assets £'000</b>	<b>Pension £'000</b>	<b>Tax losses £'000</b>	<b>Gains £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
At 1 January 2019	(8)	-	(75)	258	(79)	96
Adjustment in respect of prior years	-	(79)	-	-	79	-
Charged to income statement	-	(52)	16	(5)	-	(41)
At 31 December 2019 and 1 January 2020	<u>(8)</u>	<u>(131)</u>	<u>(59)</u>	<u>253</u>	<u>-</u>	<u>55</u>
Adjustment in respect of prior years	1	-	4	-	(31)	(27)
Charged/ (credited) to income statement	-	(53)	(7)	(50)	9	(101)
At 31 December 2020	<u>(7)</u>	<u>(184)</u>	<u>(62)</u>	<u>203</u>	<u>(22)</u>	<u>(72)</u>



**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**8. TAXATION - continued**

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

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate was announced post year-end and therefore was not substantively enacted at the balance sheet date, as a result deferred tax balances as at 31 December 2020 continue to be measured at 19%. If all of the deferred tax was to reverse at the amended 25% rate the impact on the closing deferred tax position would be to increase the deferred tax asset by £23,000.

Unrecognised deferred tax:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Gains	95	149
	<u>95</u>	<u>149</u>

The unrecognised deferred tax relates to investment properties which are sitting at a loss and the deferred tax assets have not been recognised owing to the uncertainty as to their recoverability.

**9. GAIN/(LOSS) ON REVALUATION OF ASSETS**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Gain/(loss) on revaluation of investment property	479	(400)
Loss on revaluation of assets held for sale	-	(20)
	<u>479</u>	<u>(420)</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**10. OTHER OPERATING (EXPENSE)/INCOME**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Gain on disposal of assets held for sale	321	1,108
Loss on disposal of investment property	(481)	(15)
Movement on pension provision	(197)	(309)
	<u>(357)</u>	<u>784</u>

**11. INVESTMENTS****a) Investments in subsidiaries**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>		
At start and end of the year	-	-

Particulars of the directly held subsidiary undertaking at 31 December 2020 are as follows:

<b>Name of subsidiary</b>	<b>Activity</b>	<b>Proportion of nominal value of issued share capital held by the Company</b>	<b>Description of shares held</b>	<b>Held directly or indirectly by the Company</b>
Konect Management Company Limited	Non-trading	7.14%	Ordinary	Direct

Control of Konect Management Company Limited is via ownership of voting rights equal to 75% or more and the right to appoint and remove directors.

Konect Management Company Limited was incorporated during the year, on 22 July 2020. It is incorporated in England and Wales and has the registered office at Advantage House, Poplar Way, Rotherham, South Yorkshire, S60 5TR.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

## 12. INVESTMENT PROPERTY

	2020 £'000	2019 £'000
At 1 January	3,734	5,333
Acquisitions	-	22
Transfers (to)/from other group entities	265	(825)
Transfers to assets classified as held for sale	(217)	(434)
Subsequent expenditure	48	38
Disposals	(433)	-
Net (decrease)/increase in fair value	479	(400)
At 31 December	3,876	3,734

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.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**12. INVESTMENT PROPERTY - continued**

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

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

Valuation techniques underlying management's estimation of fair value are as disclosed in the annual report of Harworth Group plc.

**13. INVENTORIES**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Development properties	<u>14,412</u>	<u>13,248</u>

During the year no investment property was re-categorised to development properties (2019: £nil).

Properties that have obtained planning permission and where development with a view to sale has commenced are held in inventory.

Development properties are stated after a net realisable value provision of £328,000 (2019: £nil).

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
At 1 January	-	-
Net realisable value provision for the year	(678)	-
Reversal of previous net realisable value provision	330	-
Net realisable value provision released on disposal	20	-
At 31 December	<u>(328)</u>	<u>-</u>

Another company within the Group, Harworth Estates Property Group Limited, entered into a borrowing facility with National Westminster Bank plc and Santander UK plc. Refer to note 22 for details. The bank loan is secured by fixed equitable charges over development and investment properties.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**14. DEBTORS**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:		
Trade receivables	684	293
Amounts owed by group undertakings	651	414
Other debtors	179	315
Current tax assets	73	-
Deferred tax asset	72	-
Prepayments	-	10
Accrued income	-	5
	<u>1,659</u>	<u>1,037</u>
Amounts falling due after more than one year:		
Trade receivables	-	387
	<u>-</u>	<u>387</u>
Aggregate amounts	<u>1,659</u>	<u>1,424</u>

Amounts owed by other Group companies are payable on demand, are unsecured and carry interest at LIBOR + 2% (2019: LIBOR + 2%).

**15. ASSETS CLASSIFIED AS HELD FOR SALE**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
At 1 January	-	2,257
Subsequent expenditure	5	30
Disposals	180	(3,238)
Revaluations	-	(20)
Transfers from investment property	217	434
Transfers between Group entities	(200)	452
Transfer to/(from) other creditors	(85)	85
At 31 December	<u>117</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£'000	£'000
Trade payables	21	465
Amounts owed to group undertakings	24,025	21,241
Current tax liabilities	-	78
Other creditors	187	180
Accruals and deferred income	1,175	1,324
	<u>25,408</u>	<u>23,288</u>

Amounts in accruals include £696,000 (2019: £495,000) relating to parcels of land that have been sold but where infrastructure costs are yet to be incurred.

Amounts owed to other Group companies are payable on demand, are unsecured and carry interest at LIBOR + 2% (2019: LIBOR + 2%). No interest is charged to the Company if the Company has net liabilities.

17. PROVISIONS FOR LIABILITIES

	2019
	£'000
Deferred tax	<u>55</u>
	<b>Deferred tax</b>
	<b>£'000</b>
Balance at 1 January 2020	55
Credit to Income Statement during year	(100)
Prior year adjustment	(27)
Balance at 31 December 2020	<u>(72)</u>

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			2020	2019
Number:	Class:	Nominal value:	£	£
100	Ordinary	£1	<u>100</u>	<u>100</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**19. RESERVES**

	<b>Retained earnings £'000</b>
At 1 January 2020	(5,408)
Deficit for the year	(390)
	<hr/>
At 31 December 2020	<u>(5,798)</u>

Unrealised gains are not available for distribution.

**20. EMPLOYEE BENEFIT OBLIGATIONS**

In December 2012 the Company was a member of a group of companies (the UK Coal group of companies) which underwent a major restructuring that separated the mining and property companies of that group. As part of the restructure, Harworth Group plc was relieved of its liabilities to certain UK Coal group defined benefit pension schemes but, as sponsoring employer, retained liabilities to the Blenkinsopp Section of the Industry-Wide Mineworkers' Pension Scheme, also a defined benefit scheme. In July 2013, as part of a subsequent and linked restructuring, the Company guaranteed an obligation to indemnify Harworth Group plc for the latter's liabilities to the Blenkinsopp Section. That indemnity covers the liability of Harworth Group plc for any deficit in the Blenkinsopp Section and to make employer contributions to the scheme, but the indemnity is capped at £3,100,000. Harworth Group plc has waived the right to reimbursement for the historic contributions that have been paid into the pension fund to date but not for the overall scheme deficit.

The Company has recognised a liability as at 31 December 2020 of £968,000 (2019: £ £771,000) which is equal to the net defined benefit liability on an IAS 19 (Revised) 'Employee benefits' basis. Any movements to the liability are recognised in the income statement. In 2020, there was a debit of £197,000 (2019: £309,000). Full disclosure of the pension provision is included in the Harworth Group plc Annual Report and Financial Statements.

**21. ULTIMATE PARENT COMPANY**

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

The immediate parent company at the 31 December 2020 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 2020. The consolidated financial statements of Harworth Group plc are available from Advantage House, Poplar Way, Catcliffe, Rotherham, United Kingdom, S60 5TR.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

22. FUTURE MINIMUM LEASE RECEIPTS

Future minimum lease receipts

At 31 December 2020 the Company had contracted with tenants for the following future minimum lease payments:

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Less than one year	90	83
Between one and two years	-	-
Between two and three years	-	-
Between three and four years	-	-
Between four and five years	-	-
More than five years	-	-
	<hr/> 90	<hr/> 83

23. CONTINGENT LIABILITIES

At 31 December 2020, the Company is a guarantor of the non-amortising £130m revolving credit facility ('RCF') with a five year term that Harworth Estates Property Group Limited ('HEPGL') entered into with National Westminster Bank plc and Santander UK plc. The facility is in the form of a debenture security whereby there is no charge on the individual assets of the Group. The facility is subject to financial and other covenants.

In May 2020 the revolving credit facility limit was increased by £30m to £130m. In November 2021, RBS and Santander agreed to increase the limit of the RCF to £150m. The borrowing facility now expires on 30 April 2024.

At 31 December 2020 HEPGL had bank borrowings of £79.7m (2019: £75.8m).