

**HARWORTH ESTATES (WAVERLEY PRINCE) LTD.**  
**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND**  
**AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**



**CONTENTS OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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	<b>Page</b>
<b>Company Information</b>	<b>1</b>
<b>Strategic Report</b>	<b>2</b>
<b>Report of the Directors</b>	<b>6</b>
<b>Independent Auditors' Report</b>	<b>8</b>
<b>Income Statement</b>	<b>12</b>
<b>Statement of Comprehensive Income</b>	<b>13</b>
<b>Statement of Financial Position</b>	<b>14</b>
<b>Statement of Changes in Equity</b>	<b>15</b>
<b>Notes to the Financial Statements</b>	<b>16</b>

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**HARWORTH ESTATES (WAVERLEY PRINCE) LTD.**

**COMPANY INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**DIRECTORS:** C M Birch  
K J Patmore  
L M Shillaw  
A Blackshaw  
J M Haigh

**REGISTERED OFFICE:** Advantage House, Poplar Way  
Catcliffe  
Rotherham  
United Kingdom  
S60 5TR

**REGISTERED NUMBER:** 03020652 (England and Wales)

**INDEPENDENT AUDITORS:** Ernst & Young LLP  
1 Bridgewater Place  
Water Lane  
Leeds  
LS11 5QR

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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The Directors present their Strategic Report for the year ended 31 December 2021.

Harworth Estates (Waverley Prince) Ltd. 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 four key drivers of growth to achieve its purpose and deliver its vision:

<b>KEY DRIVER OF GROWTH</b>	<b>KPI'S</b>
1. Increasing direct development of industrial & logistics sites	Total Return Net Asset Value and EPRA NDV (Net Disposal Value) Industrial & logistics space developed Total industrial & logistics pipeline
2. Accelerating sales and broadening the range of our residential products	Total Return Net Asset Value and EPRA NDV Number of plots sold to housebuilders Total residential pipeline
3. Growing our strategic land portfolio and land promotion activities	Total Return Net Asset Value and EPRA NDV Total industrial & logistics pipeline Total residential pipeline Potential GVA (Gross Value Added) that could be delivered from our portfolio
4. Repositioning our Investment Portfolio to modern Grade A	Total Return Net Asset Value and EPRA NDV Proportion of our Investment Portfolio that is Grade A Scope 1, Scope 2 and selected Scope 3 emissions

The environmental impact of Harworth Estates (Waverley Prince) Ltd. is managed at a Group level. Further detail on the Group's approach to sustainability and Streamlined Energy and Carbon Reporting (SECR) disclosure can be found in the annual report of Harworth Group plc.

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**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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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  
Suppliers  
Funders  
Customers  
Government

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

Whilst the Board of Directors of Harworth Group plc recognises its statutory obligation to do so under s.172(1) of the Companies Act 2006, its engagement and collaboration with stakeholders are not merely a matter of statutory compliance: doing so effectively is key to delivering against the Group's Purpose and commercial success. As the Group is constantly interacting with a wide range of stakeholders, the reporting of stakeholder impact has been embedded into Board project appraisals. Transaction templates presented to the Board focus discussion on: how each project supports the delivery of the Group's Purpose and aligns with the Group's strategy; the environmental and societal impact of each project; the impact of each project on the Group's external stakeholder groups; and resourcing for each project. The Board having regard to these matters in its discussions and decision making is fundamental to creating sustainable places where people want to live and work.

Further detail on how Harworth Estates (Waverley Prince) Ltd., 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 2021**

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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 Investment Portfolio (previously referred to as 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 (Waverley Prince) Ltd. 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. 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 2021 which does not form part of this report.

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**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:**



.....  
K J Patmore - Director

Date: 29/06/2022 .....

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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The Directors present their report with the financial statements of the Company for the year ended 31 December 2021.

**PRINCIPAL ACTIVITIES**

Harworth Estates (Waverley Prince) Ltd. is a trading company of the Group.

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 profit for the year was £11,000 (2020: loss of £536,000).

**DIVIDENDS**

The Directors have not recommended a dividend (2020: £nil).

**FUTURE DEVELOPMENTS**

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

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2021 to the date of this report.

K J Patmore  
L M Shillaw

Other changes in directors holding office are as follows:

I R Ball - resigned 8 September 2021  
C M Birch - appointed 8 September 2021  
A Blackshaw - appointed 8 September 2021  
J M Haigh - appointed 8 September 2021

**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 (Waverley Prince) Ltd., as a member of the Group, engages with suppliers, customers and others is disclosed within the annual report of the Group.



**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS**

The corporate governance arrangements in place for Harworth Estates (Waverley Prince) Ltd., 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.

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**

Ernst & Young LLP were re-appointed as auditors to the Company.

**ON BEHALF OF THE BOARD:**



.....  
K J Patmore - Director

Date: 29/06/2022 .....

## **Opinion**

We have audited the financial statements of Harworth Estates (Waverley Prince) Ltd. for the year ended 31 December 2021 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 2021 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 30 June 2023.

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**

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 (Waverley Prince) Ltd. 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**

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: 29/06/2022  
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**INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021 £'000	2020 £'000
<b>REVENUE</b>	3	11,176	10,073
Cost of sales		<u>(10,021)</u>	<u>(8,760)</u>
<b>GROSS PROFIT</b>		1,155	1,313
Administrative expenses		<u>(847)</u>	<u>(1,078)</u>
		308	235
Other operating income/(expense)		-	150
Gain on revaluation of assets		<u>-</u>	<u>3</u>
<b>OPERATING PROFIT</b>		308	388
Loss from participating interests		-	(169)
Interest receivable and similar income	5	754	723
Interest payable and similar expenses	6	<u>(1,330)</u>	<u>(1,343)</u>
<b>LOSS BEFORE TAXATION</b>	7	(268)	(401)
Tax on loss	9	<u>279</u>	<u>(135)</u>
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		<u>11</u>	<u>(536)</u>

The notes on pages 16 to 31 form part of these financial statements

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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	<b>Notes</b>	<b>2021 £'000</b>	<b>2020 £'000</b>
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>11</b>	<b>(536)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		<b>—</b>	<b>—</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>		<b><u>11</u></b>	<b><u>(536)</u></b>

The notes on pages 16 to 31 form part of these financial statements

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STATEMENT OF FINANCIAL POSITION  
31 DECEMBER 2021

	Notes	2021 £'000	2020 £'000
<b>CURRENT ASSETS</b>			
Inventories	13	48,842	53,319
Debtors: amounts falling due within one year	14	47,406	46,108
Debtors: amounts falling due after more than one year	14	4,595	2,790
Cash at bank		<u>724</u>	<u>1,107</u>
		101,567	103,324
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	15	<u>(76,892)</u>	<u>(78,660)</u>
<b>NET CURRENT ASSETS</b>		<u>24,675</u>	<u>24,664</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>24,675</u>	<u>24,664</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	-	-
Retained earnings	17	<u>24,675</u>	<u>24,664</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>24,675</u>	<u>24,664</u>

The financial statements were approved by the Board of Directors and authorised for issue on 29/06/2022 and were signed on its behalf by:



.....  
K J Patmore - Director

The notes on pages 16 to 31 form part of these financial statements



**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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	<b>Called up share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total equity £'000</b>
<b>Balance at 1 January 2020</b>	-	25,200	25,200
<b>Changes in equity</b>			
Total comprehensive loss	-	(536)	(536)
<b>Balance at 31 December 2020</b>	-	24,664	24,664
<b>Changes in equity</b>			
Total comprehensive income	-	11	11
<b>Balance at 31 December 2021</b>	-	24,675	24,675

The notes on pages 16 to 31 form part of these financial statements

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**1. STATUTORY INFORMATION**

Harworth Estates (Waverley Prince) Ltd. 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.

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 2021**

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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 (Waverley Prince) Ltd. 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 2021**

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**2. ACCOUNTING POLICIES - continued**

The Board of Harworth Group plc prepared cash flow and banking covenant forecasts based upon its assumptions with particular consideration to the key risks and uncertainties, as well as taking into account available borrowing facilities. The going concern period assessed is until June 2023 which has been selected as it can be projected with a reasonable degree of expected accuracy and covers a complete period of reporting under the RCF.

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

The key risks considered are:

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

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

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

- o a severe reduction in sales to the housebuilding sector as well as lower investment property sales;
- 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 material decline in the value of land and investment property values; and
- o a significant increase in interest rates, impacting the cost of the Group's RCF.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**2. ACCOUNTING POLICIES - continued**

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

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

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.

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**2. ACCOUNTING POLICIES - continued**

**Revenue recognition**

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

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.

**Rental income**

Under IFRS 16 'Leases', 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 consolidated income statement on a straight-line basis over the lease term as a deduction from rental and other land-related income.

**Revenue from contracts with customers**

Under IFRS 15 'Revenue from Contracts with Customers' revenue is measured based on the consideration specified in a contract with a customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to 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.

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.

**Inventories**

Inventories comprise development properties.

Development properties are included in the consolidated 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 2021**

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**2. ACCOUNTING POLICIES - continued**

Where individual parcels of land held for development are disposed of out of a larger overall development site, costs are apportioned based on an acreage, or other specific allocation where appropriate, after taking into account the cost or net realisable value of any remaining residual land which may not form part of the overall development site or which may not be available for development. Where the Company retains obligations attached to the development site as a whole, accruals are made relating to these disposals on the same allocation basis.

Land held for development is land that has planning permission and is being developed for onward sale.

**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.

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**2. ACCOUNTING POLICIES - continued**

**Interest income and expense recognition**

Interest income and expense are recognised within 'interest receivable and similar income' and in 'interest payable and similar expenses' in the income statement using the effective interest rate method.

**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.

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.

All loans and borrowings are classified as other liabilities. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

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.

**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:

**Impairment in subsidiaries**

Investments in subsidiaries are reviewed for impairment if there is any indication that the carrying amount may not be recoverable.



**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**2. ACCOUNTING POLICIES - continued**

When a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the present value of expected future cash flows of the relevant cash-generating unit) or 'fair value less costs to sell'. Where there is no binding sale agreement or active market, fair value less costs to sell is based on the best information available to reflect the amount the Company could receive for the cash generating unit in an arm's length transaction.

Impairment testing is carried out under the principles described in IAS 36 'Impairment of assets' which includes a number of restrictions on the future cash flows that can be recognised in respect of restructurings and improvements related to capital expenditure.

**Changes in accounting policies and disclosures**

**(a) New Standards, amendments and interpretations**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2021 and have not been applied in preparing these financial statements. None of these 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 2022 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company.

**3. REVENUE**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Income generation	33	94
Sales of development properties	11,116	9,953
Other property activities	<u>27</u>	<u>26</u>
	<u><b>11,176</b></u>	<u><b>10,073</b></u>

**4. EMPLOYEES AND DIRECTORS**

The Company has no employees (2020: 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. 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 £653,000 (2020: £748,000).

The Directors receive emoluments for services to the wider Group for which no recharge is made to the Company (2020: £nil).

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

**5. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Other interest receivable	-	25
Interest on group loans receivable	<u>754</u>	<u>698</u>
	<u>754</u>	<u>723</u>

**6. INTEREST PAYABLE AND SIMILAR EXPENSES**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Interest on group loans payable	<u>1,330</u>	<u>1,343</u>

**7. LOSS BEFORE TAXATION**

The loss before taxation is stated after charging/(crediting):

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Cost of inventories recognised as expense	10,021	8,717
Profit on disposal of fixed assets	<u>-</u>	<u>(150)</u>

The total cost of inventory recognised as an expense within cost of sales in the year is £10.0m (2020: £8.7m) comprised of: £9.4m (2020: £8.2m) relating to the sale of development properties and £0.6m (2020: £0.5m) for the net realisable value provision against development properties.

**8. 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 £15,000 (2020: £20,000).

Auditors' remuneration in relation to non-audit services during the year was £nil (2020: £nil).

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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

	<b>2021</b> <b>£'000</b>	<b>2020</b> <b>£'000</b>
Current tax:		
Adjustment in respect of prior years	<u>3</u>	<u>(202)</u>
Deferred tax:		
Current year	7	7
Effect of changes in tax rates	(295)	(294)
Adjustment in respect of prior years	<u>6</u>	<u>624</u>
Total deferred tax	<u>(282)</u>	<u>337</u>
Total tax (income)/expense in income statement	<u>(279)</u>	<u>135</u>

**Factors affecting the tax expense**

The tax assessed for the year is lower (2020 - higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	<b>2021</b> <b>£'000</b>	<b>2020</b> <b>£'000</b>
Loss before income tax	<u>(268)</u>	<u>(401)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	(51)	(76)
Effects of:		
Adjustment in respect of prior years	9	422
Expenses not deductible for tax purposes	2	35
Tax rate changes	(295)	(294)
Group relief	56	77
Movement in revaluations	<u>-</u>	<u>(29)</u>
Tax (income)/expense	<u>(279)</u>	<u>135</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

**9. TAXATION - continued****Deferred taxation**

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

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
At 1 January	(2,790)	(3,127)
Adjustment in respect of prior years	6	624
Deferred tax charge to the income statement for the year	<u>(288)</u>	<u>(287)</u>
At 31 December	<u><u>(3,072)</u></u>	<u><u>(2,790)</u></u>

	<b>Fixed assets</b>	<b>Tax losses</b>	<b>Other</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 January 2020	(66)	(2,887)	(174)	(3,127)
Prior year adjustment	-	570	54	624
Charged to income statement	<u>(2)</u>	<u>(272)</u>	<u>(14)</u>	<u>(287)</u>
At 31 December 2020 and 1 January 2021	<u>(67)</u>	<u>(2,589)</u>	<u>(134)</u>	<u>(2,790)</u>
Prior year adjustment	-	6	-	6
Credited to income statement	<u>(14)</u>	<u>(234)</u>	<u>(40)</u>	<u>(288)</u>
At 31 December 2021	<u><u>(81)</u></u>	<u><u>(2,817)</u></u>	<u><u>(174)</u></u>	<u><u>(3,072)</u></u>

In the March 2020 Budget it was announced that the main rate of UK corporation tax will not reduce to 17% from 1 April 2020 and the Corporation Tax Rate will be held at 19%. The Provisional Collection of Taxes Act was used to substantively enact the revised 19% tax rate on 17 March 2020 and accordingly deferred tax balances at 31 December 2020 were calculated at 19%.

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

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2021

## 10. GAIN ON REVALUATION OF ASSETS

	2021 £'000	2020 £'000
Gain on revaluation of investment property	-	3
	<u>-</u>	<u>3</u>

## 11. OTHER OPERATING INCOME

	2021 £'000	2020 £'000
Gain on disposal of investment property	-	150
	<u>-</u>	<u>150</u>

## 12. INVESTMENTS

## Investments in subsidiaries

	2021 £'000	2020 £'000
<b>Cost</b>		
At start and end of the year	-	-

Name of subsidiary	Activity	Proportion of nominal value of issued share capital held by the Company	Description of shares held	Held directly or indirectly by the Company
Waverley Community Management Company Limited	Trading	100	Limited by guarantee	Direct
Waverley Square Limited	Liquidation	100	Ordinary	Direct

Except for those in liquidation, all of the above subsidiaries are incorporated in England and Wales and have a registered office of Advantage House, Poplar Way, Rotherham, South Yorkshire, S60 5TR.

Waverley Square Limited is in the process of liquidation, to complete within 12 months of the year end.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

The Company is a wholly owned subsidiary of Harworth Estates Limited and of its ultimate parent, Harworth Group plc, whose consolidated financial statements are publicly available. Therefore the Company is exempt from the requirement of preparing consolidated financial statements by virtue of Section 400 of the Companies Act 2006.

**13. INVENTORIES**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Development properties	<u>48,842</u>	<u>53,319</u>

During the year no investment property was re-categorised to development properties (2020: £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 £2,025,000 (2020: £1,480,000). The movement in the net realisable value provision on development properties is as follows:

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
At 1 January	(1,480)	(1,002)
Net realisable value provision for the year	(545)	(749)
Reversal of previous net realisable value provision	<u>-</u>	<u>271</u>
At 31 December	<u>(2,025)</u>	<u>(1,480)</u>

Another company within the Group, Harworth Estates Property Group Limited, entered into a borrowing facility with NatWest and Santander. Refer to note 20 for details. The bank loan is secured by fixed equitable charges over development and investment properties.

**14. DEBTORS**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:		
Trade receivables	3,468	4,849
Amounts owed by group undertakings	37,795	38,511
Other debtors	6,134	2,666
Current tax assets	-	64
Prepayments	9	1
Accrued income	<u>-</u>	<u>17</u>
	<u>47,406</u>	<u>46,108</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

**14. DEBTORS - continued**

	2021 £'000	2020 £'000
Amounts falling due after more than one year:		
Trade receivables	1,523	-
Deferred income tax asset	<u>3,072</u>	<u>2,790</u>
	<u>4,595</u>	<u>2,790</u>
 Aggregate amounts	 <u>52,001</u>	 <u>48,898</u>

Amounts owed by other Group companies are payable on demand, are unsecured and carry interest at SONIA + 2% (2020: LIBOR + 2%).

**15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2021 £'000	2020 £'000
Trade payables	153	367
Amounts owed to group undertakings	59,044	64,204
Social security and other taxes	2,057	1,679
Other creditors	296	240
Accruals and deferred income	<u>15,342</u>	<u>12,170</u>
	<u>76,892</u>	<u>78,660</u>

Amounts in accruals include £10,500,000 (2020: £9,400,000) 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 SONIA + 2% (2020: LIBOR + 2%). No interest is charged to the Company if the Company has net liabilities.

**16. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2021 £	2020 £
2	Ordinary	£1	<u>2</u>	<u>2</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

**17. RESERVES**

	<b>Retained earnings £'000</b>
At 1 January 2021	24,664
Profit for the year	<u>11</u>
At 31 December 2021	<u>24,675</u>

Unrealised gains are not available for distribution.

**18. 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 2021 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 2021. The consolidated financial statements of Harworth Group plc are available from Advantage House, Poplar Way, Rotherham, South Yorkshire S60 5TR.

**19. COMMITMENTS**

At 31 December 2021 the Company had contractual commitments due under construction contracts of £2.0m (2020: £nil).

**20. FUTURE MINIMUM LEASE RECEIPTS**

At 31 December 2021 the Company had contracted with tenants for the following future minimum lease payments:

	<b>As at 31 December 2021 £'000</b>	<b>As at 31 December 2020 £'000</b>
Less than one year	8	8
Between one and two years	8	8
Between two and three years	8	8
Between three and four years	8	8
Between four and five years	2	8
More than five years	<u>-</u>	<u>2</u>
	<u>34</u>	<u>42</u>



**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**21. CONTINGENT LIABILITIES**

At 31 December 2021, the Company is a guarantor of the non-amortising £150m (2020: £130m) revolving credit facility ('RCF') with a five year term that Harworth Estates Property Group Limited ('HEPGL') entered into with NatWest and Santander. 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 November 2021 NatWest and Santander agreed to increase the RCF by £20m to £150m and extend the repayment date to February 2024, from the previous date of 13 February 2023.

Following the year end, a new RCF has been put in place with NatWest, Santander and HSBC. The Company is a guarantor of this facility. The new RCF has a limit of £200m with an uncommitted accordion facility of £40m and is repayable in 2027. The bank borrowings are secured by fixed equitable charges over investment properties. The facility is non-amortising and subject to financial and other covenants.

At 31 December 2021 HEPGL had bank borrowings of £33.3m (2020: £79.7m).