Harworth

Creating

sustainable places where people

want to live and work

Harworth Group plc

Annual Report and
Financial Statements 2022

Harworth

Our purpose is to invest to transform land and property into sustainable places where people want to live and work

Who we are

Harworth is one of the leading land and property regeneration companies in the UK, owning and managing over 13,000 acres across around 100 sites in the North of England and the Midlands. Based in Rotherham, South Yorkshire, we also have regional offices in Birmingham, Leeds and Manchester.

Our purpose is to invest to transform land and property into sustainable places where people want to live and work, supporting new homes, jobs and communities, and delivering long-term value for all our stakeholders.

Harworth has a Premium Listing on the Main Market of the London Stock Exchange (LSE: HWG).

What we do

As a master developer, we create long-term value by acquiring and assembling sites that are large, complex and often had former industrial uses, and transforming them into sustainable residential and industrial & logistics developments, with a focus on placemaking.

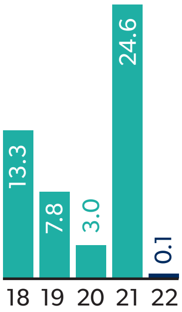
Our team comprises experts in transactions, planning, land remediation, engineering and development, supported by central functions and a highly experienced management team. We have three regional teams – Yorkshire & Central, North West and the Midlands – which bring further local knowledge, expertise and relationships.

Our Purpose, culture and values

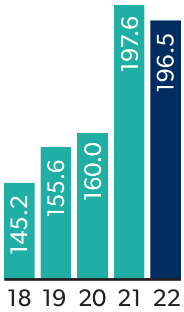
Our ability to execute our strategy and deliver our Purpose is reliant on delivering against our sustainability framework, The Harworth Way, and on attracting, maintaining and developing great talent. We achieve this through our 'One Harworth' culture, which encourages a collaborative approach to delivering and managing our sites, and ensures we succeed as one team. Our culture is underpinned by the three Harworth values: taking pride in our people & partnerships, delivering creative solutions, and acting with integrity and trust.

2022 Highlights

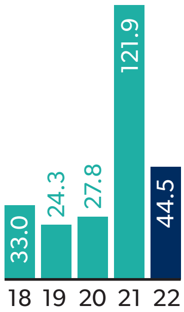
Total Return[1]
0.1%
2021: 24.6%



EPRA NDV per share[1]
196.5p
2021: 197.6p

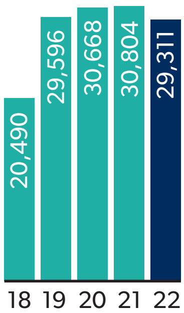


Operating profit
£44.5m
2021: £121.9m



Industrial & logistics pipeline (sq. ft)
35.0m
2021: 28.2m

Residential pipeline (plots)
29,311
2021: 30,804



Potential value to local communities ('GVA')
£4.6bn
2021: £4.1bn

Our Net Zero Carbon ('NZC') commitments:

NZC for Scope 1, Scope 2 and Scope 3 business travel emissions by 2030

NZC for all emissions by 2040

Find out more about our sustainability framework, The Harworth Way, on pages 64 to 77

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

Contents

Highlights of 2022

Creating

places

and work

Acquisitions during the year have the potential to deliver 2,643 homes and 8.5m sq. ft of employment space

Applications for 5.6m sq. ft of employment space progressing through the planning system at year-end, representing our next generation of development sites

Strong financial position, with significant available liquidity, provides flexibility and firepower to pursue opportunities

Read more on pages 22 to 35

Completed our Bardon Hill development in Leicestershire, creating 332,000 sq. ft of sustainable Grade A space

Delivered a 100,000 sq. ft high-specification building at the Advanced Manufacturing Park ('AMP') in Rotherham for a growing sportswear manufacturer

Commenced work on the next phases of our Gateway 36 development in Barnsley and the AMP, supporting further investment and job creation across South Yorkshire

Read more on page 26

sustainable where people want to live

Land sales supported the delivery of 2,236 homes, including at Waverley in South Yorkshire and Benthall Grange in Ironbridge

Placemaking continued across our developments as we progressed plans for new retail provision, medical centres, schools and green space

Developing mixed tenure products, with launch of sites for a single-family rental portfolio, meeting the needs of local people and further diversifying our neighbourhoods

Read more on page 27

Formation of our Net Zero Carbon ('NZC') pathway, targeting NZC for Scope 1, Scope 2 and Scope 3 business travel emissions by 2030, and NZC for all emissions by 2040

All new commercial buildings developed in the year for our Investment Portfolio were rated EPC A and targeted BREEAM Excellent

All new masterplans and commercial buildings included renewable energy provision

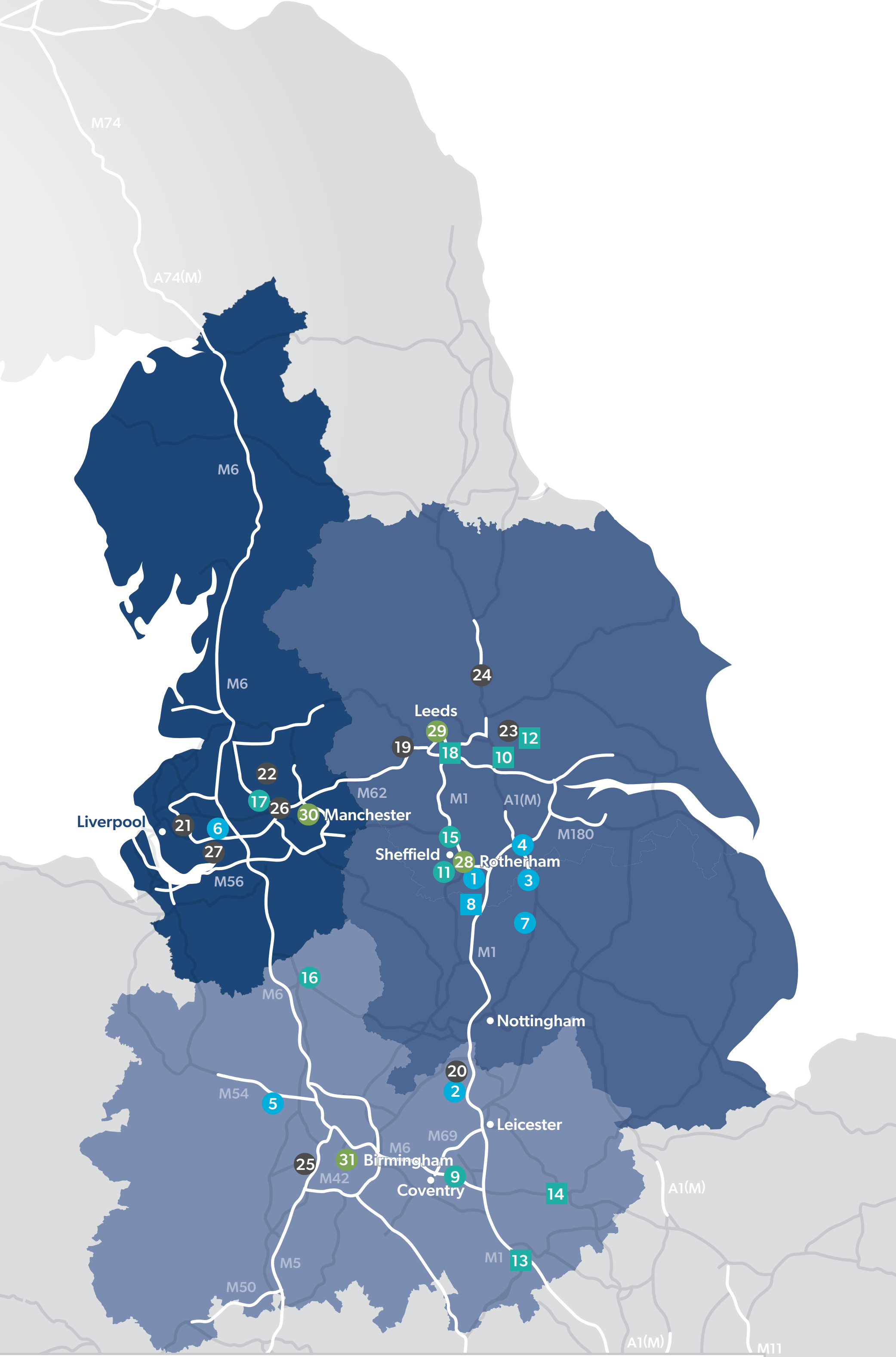
Read more on pages 66 to 70

Our portfolio

An extensive industrial & logistics and residential portfolio in the North of England and the Midlands

Across Harworth's three operating regions of Yorkshire & Central, the Midlands and the North West, our portfolio has the potential to deliver 35.0m sq. ft of industrial & logistics space and 29,311 residential plots. We also have a 4.0m sq. ft Investment Portfolio spread across all three operating regions.

Read more about our portfolio on pages 26 to 28



Key residential developments

- Major development
- Strategic Land

1 Waverley
2 South East Coalville
3 Simpson Park
4 Pheasant Hill Park
5 Benthall Grange (Ironbridge)
6 Moss Nook
7 Thoresby Vale
8 Staveley

Key industrial & logistics developments

- Major development
- Strategic Land

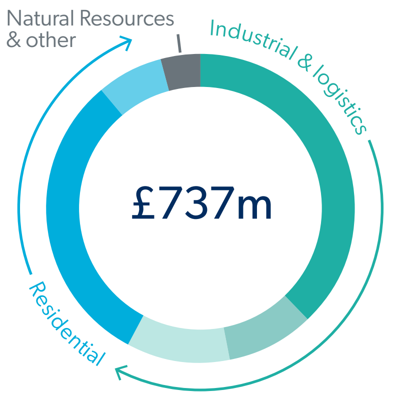
9 Ansty
10 N. Yorkshire site
11 Advanced Manufacturing Park[1]
12 Gascoigne Wood
13 Junction 15, M1
14 Rothwell
15 Gateway 36[1]
16 Chatterley Valley
17 Wingates
18 Skelton Grange

Investment Portfolio

19 Nufarm
20 Bardon Hill
21 Knowsley
22 Preston
23 Sherburn-in-Elmet
24 Flaxby
25 Dudley
26 Logistics North
27 Widnes

1 Sites contain some Investment Portfolio assets

Portfolio overview



Industrial & logistics
- Investment Portfolio: £281m; 4.0m sq. ft
- Major developments: £68m; 5.4m sq. ft
- Strategic land: £82m; 29.6m sq. ft

Residential
- Major developments: £228m; 6,111 plots
- Strategic Land: £51m; 23,200 plots

Harworth offices

28 Rotherham
29 Leeds
30 Manchester
31 Birmingham

Investment case

Investment case

Uniquely positioned as a specialist regenerator of large complex sites

Extensive, high-quality pipeline of strategic land, driving future growth

Focused on the resilient **industrial & logistics and residential markets**

Regional footprint provides exposure to high-growth and under-served markets

A responsible business, committed to placemaking and a NZC future

Strong financial position, with significant available liquidity

Growth strategy

1 **Increasing direct development** of industrial & logistics sites

2 **Accelerating sales** and broadening the range of residential products

3 **Growing strategic land portfolio** and land promotion activities

4 **Repositioning Investment Portfolio** to modern Grade A

Ambition:
£1bn
of EPRA NDV
by 2027
delivered responsibly

Chair's statement

"Harworth is a long-term business with a long-term strategy to build value for all our shareholders by creating sustainable places where people want to live and work."

Alastair Lyons
Chair

Lynda's Chief Executive's report clearly outlines the significant progress achieved during 2022 in advancing the strategy that she outlined in the 2021 interim statement during her first full year as Chief Executive. Notwithstanding the volatile market conditions experienced during the second half of 2022, the sales, consents, and acquisitions achieved demonstrated our ability to capitalise on the fundamental strength of our core industrial & logistics and residential markets.

Harworth is a long-term business with a long-term strategy to build value for our shareholders by creating sustainable places where people want to live and work. By way of illustration of our long-term nature, our portfolio contains sites such as Waverley where we started remediation of the former Orgreave coking works 27 years ago and we anticipate it will be another four years before everything there is complete from Harworth's perspective. It will then have 3,038 homes and 2.1m sq. ft of commercial space, with the potential for 4,000 jobs, 310 acres of green space, a medical centre and a school, and other retail and leisure provision. Looking forward it is the same story: large sites we buy today may still be delivering new homes and commercial property in 10 or 15 years' time. As a Board we must, therefore, have a 'through-the-cycle' mindset whilst ensuring the business has the financial and operational resilience to weather whatever the cycle may throw at us.

That our markets have turned down materially since we last reported six months ago is very clear: how long this downturn will continue and what shape it will be is uncertain and dependent on events outside of our, and to a great extent the UK's, control. What is, however, certain is that over the long term England needs 300,000 new homes every year and that the changing nature of our economy, in particular in retail distribution and reducing dependence on long complex international supply chains, will support demand for new energy efficient commercial space. We, therefore, have the confidence to continue to invest in opportunities for future development provided, of course, the economics reflect the current market, and we have the financial resources to hold assets where we consider today's markets apply an excessive discount for the present uncertainty. The need to ensure our resilience will inevitably reduce our risk appetite, particularly for direct development without the commitment of an occupier, but such cautious deployment of our resources will in turn enable us to consider whether to take advantage of the unexpected.

Everyone in Harworth is aligned with our shareholders in seeking to grow the value of the business, and our senior executives are strongly aligned to do this. Over the past two years we have materially extended the proportion of our employees who receive shares under our various schemes. The Restricted Share Plan scheme that we launched in 2019 to just the 21 most senior executives is now offered to 65 of our executives and managers making up around 50% of our employees. Beyond that, we have an All Employee Share Incentive Plan into which we introduced Partnership Shares and Matching Shares in 2022. We all, therefore, share the frustration of our investors in the discount currently applied by the stock market to our shares and those of many other companies in our sector. However, we are clear from our previous experience that the way to narrow this discount is to focus on trading strongly by delivering a well thought through strategy and to communicate very clearly our progress and potential to both current and future investors.

From the feedback that we receive from our investors and the wider market, it is evident that our strategy is clear, well understood, and supported - to build on Harworth's long-established specialist expertise as a master developer of large complex sites, moving faster through our sites by broadening the tenures we offer and increasing our share of the value chain through direct development. Lynda Shillaw and Kitty Patmore have invested considerable time and energy over the past year developing this understanding amongst investors both present and potential, seeking to ensure they can fairly assess the inherent value of our business and its assets. The recent volatility that has resulted in our sector being less attractive for investors will not cause us to change our strategy although it may impact its speed of implementation.

When I became Chair in March 2018 Harworth had 57 employees and a last reported EPRA NDV of £414.2m (and a statutory net asset value of £409.3m). As at December 2022 this had increased to £633.8m of ERPA NDV and £602.7m of statutory net assets, despite the 12.6% reduction in the value of our estate in the second half of last year. To deploy fully this significantly increased scale we now have 118 employees, with the specialist skills needed to progress the development of our expanded range of sites and support our strategic drives into mixed tenure and direct development. It is testament to the culture at Harworth and the values lived by its leaders, together with our very progressive approach to pay, benefits, and terms of employment that we have built and retained the capabilities we need in a very challenging labour market. Employers used to choose people to work for them and tell them where and when to work: now people choose whom to work for and place high value on flexibility both as to location and how to work! We held our Employee AGM in September, which provided an opportunity for all our employees to engage directly with our Non-Executive Directors. My colleagues and I were very struck by the extent of understanding of the strategy evidenced at that meeting and the depth of thought as to the implications of the then turbulent macro-economic environment on our markets and, therefore, our business. To be successful the vision cannot just be of the few who lead the business: it must be shared by all as everyone has their part to play in achieving it – we came away with the firm view that the Harworth vision, developed by Lynda and her team, is widely shared by our people.

Alongside the rest of the market, planning what the business will aim to achieve in 2023 has been as much art as science given the prevailing uncertainty. However, whilst we cannot control markets, we can position ourselves to make the most of what positive momentum may develop during the year, progressing those sites that will be most in demand by housebuilders as oven-ready product in strong locations, working with potential occupiers of commercial space to tailor what we bring forward to meet their requirements through build-to-suit and pre-let development . We will also seek to advance sites through the planning process so that, when market conditions are right to invest further in particular sites, we have the consents we need to progress. 2023 will be no less demanding of our management and their teams than 2022. However, although there will be both market headwinds and tailwinds as we go through the cycle, fundamentally over the long term all of the value created in the business will be due to management actions. It is the effectiveness of management in these actions that we want our annual variable bonus scheme to recognise. This is why you will see from our Remuneration Committee Chair's letter that the Committee has this year specifically reserved discretion, both positive and negative, to adjust the vesting outcome for what is achieved against target for the Total Return financial measure if our underlying markets move materially differently to what we are currently projecting within our business plan for 2023.

Last year saw a considerable advance in pulling together the elements of ESG that are already embedded within our strategy into an overarching framework for delivery, and in defining the keys steps and metrics of our NZC pathway. Our Purpose of creating sustainable places where people want to live and work makes ESG considerations central to everything we do. For every potential development we assess its environmental and social implications: what it will contribute to the communities it will serve; how it can be sustainable in both construction and operation; and how we can optimise its impact on the environment and maximise the resulting bio-diversity net gain. Being an environmentally and socially focused developer is no longer a nice to have but a must have to meet the aspirations of our many stakeholders: landed estates mindful of their legacy; planners and regional development authorities; investors seeking assets that will retain their value for the long term; funders conscious of the ESG requirements of their own investors and regulators; and our people who want more than a financial return from their work, gaining the satisfaction of having made a difference to the world in which we live. We have made good progress in understanding the carbon emissions for which we are currently responsible, and what will arise in the future if we deliver against our plans. With an understanding of the sources and their quantum we know where to focus our efforts, and also those of our suppliers and contractors, to minimise both operational and embedded emissions as we work towards our target of NZC for all emissions by 2040. Having defined the building blocks of our NZC pathway we will be able to report progress against their implementation in subsequent years.

Our ESG Committee is now well established with a clear agenda focused on agreeing the principal elements of our plans to achieve our ESG objectives, measuring our progress in their delivery, and ensuring that we report this clearly and accurately to our stakeholders. We were, therefore, delighted to have Marzia Zafar join us in June as a Non-Executive Director and a member of the ESG Committee. Marzia brings a wealth of knowledge and experience in the area of sustainability, having spent over 20 years working on policies and strategies to enable energy transition for regulators, business and not for profit sectors. Since joining the Board she has been appointed as Deputy Director of Strategy and Decarbonisation at Ofgem. The appointment to the Board of someone from a different personal and professional background is testament to our commitment to diversity and inclusion.

In signing off on 2022 my very grateful thanks on behalf of our whole Board to everyone within the business who did so much to achieve so much during the year, and in particular to Lynda and her management team. We have moved a long way in 12 months with much that was in planning a year ago to implement our strategy now a reality. My thanks also to our investors who in very large part have stayed the course with us: your ongoing support is critical to us as we exist to create value for you. As a master developer we rely on many other organisations to make possible what we deliver – my thanks to all our suppliers, consultants, contractors, and partners, those with whom we work in planning departments, and the agents with whose clients we transact on both the buy and sell sides. We recognise fully how much we owe to all our stakeholders and commit to help them achieve their objectives as we deliver against our own.

Alastair Lyons
Chair

13 March 2023

Our business model

INPUTS

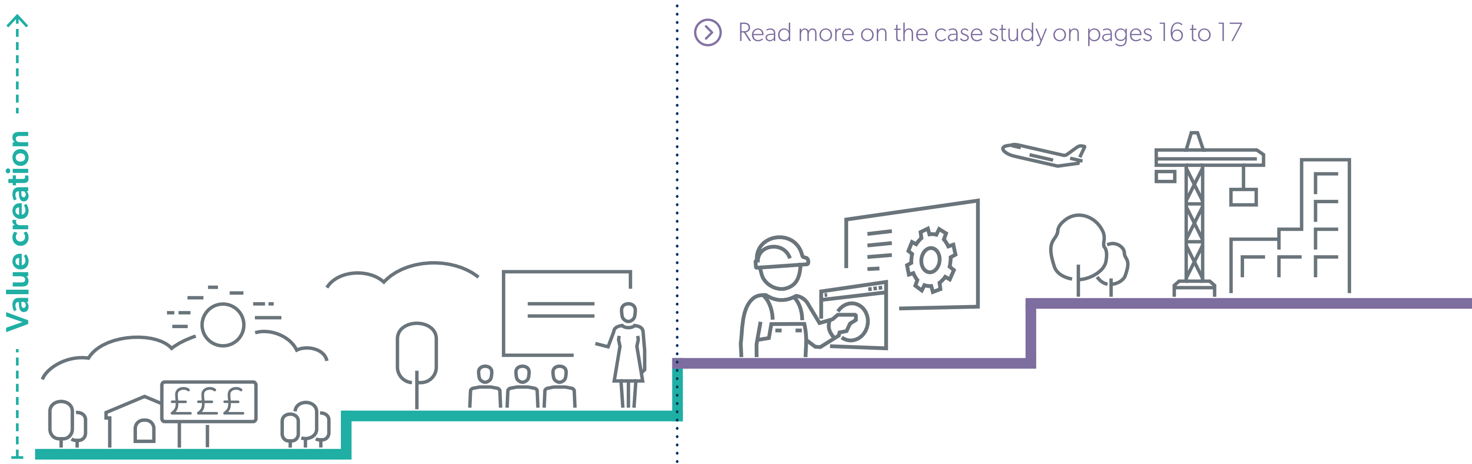
Our people: The Harworth team comprises experts in transactions, planning, land remediation, engineering and development, supported by central functions and a highly experienced senior management team. We have three regional teams – Yorkshire & Central, North West, and the Midlands – which bring further local knowledge, expertise and relationships.

Our key markets: Our portfolio is focused on the industrial & logistics and residential sectors in the North of England and the Midlands, which benefit from favourable supply and demand dynamics, structural growth, and are central to local and central government objectives to 'level up' the economy and provide new homes, jobs and opportunities.

Strategic land

Major developments

Read more on the case study on pages 16 to 17



Acquisitions and land assembly

Our acquisition teams work across our regions to identify new sites to add to our portfolio, through freehold purchases, options or Planning Promotion Agreements ('PPAs'). Often larger sites are assembled over a number of years through the acquisition of smaller land parcels.

Masterplanning

Working with local authorities and other stakeholders, we create a strategic vision for a site that addresses local needs for housing or employment space in an area. Our sites often complement or contribute to the wider strategic aims of local and central government.

Planning approval

Once a strategic vision for a site has been determined, our planners work with local authorities to progress this through the planning system. We have a very high success rate of securing planning permissions, while working collaboratively with local stakeholders.

Land remediation and infrastructure development

Once planning permission has been obtained, our in-house development teams undertake land remediation works, construct any necessary infrastructure such as roads, and create development platforms for the site's proposed use.

OUTPUTS

Read more about our approach to stakeholders on pages 39 to 42

Our people

An open and collaborative culture, with teams working on market-leading projects with pride and enjoyment

Investors

Strong returns, with a target to reach £1bn of EPRA NDV by 2027, delivered responsibly

Communities

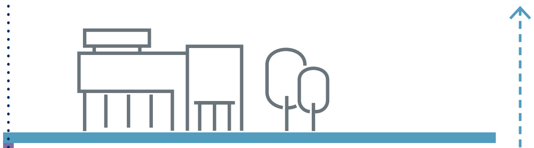
Sustainable places where people want to live and work, with connectivity, green space and amenities

Financing: Our financing strategy remains to be prudently geared, with a target year-end net loan to portfolio value of less than 20%, and a maximum of 25% in year. Acquisitions and capital expenditure at our sites are funded through a combination of disposal proceeds, corporate-level debt and site-specific funding.

The Harworth Way: We aim to make a lasting positive impact on communities and the environment by applying the five pillars of the Harworth Way across our strategy and operations. This ensures we deliver our Purpose of creating sustainable places where people want to live and work.

Read more on pages 64 to 77

Investment portfolio



Read more on the case study on pages 14 to 15

Plot sale or direct development

At our residential sites, we largely sell serviced plots to housebuilders. From 2023, we will also be working with partners to deliver alternative tenures.

For our industrial & logistics sites we either directly develop units or sell land parcels for construction.

Placemaking

We invest in our sites alongside plot sales and direct development, to provide additional infrastructure, amenities and green spaces. This investment creates a sense of community that improves the wellbeing of residents and those working there and enhances the attractiveness and value of our sites.

Asset management

We retain some of the Grade A industrial & logistics units that we directly develop and let these to a diverse range of occupiers. These generate a recurring income and allows us to derive further value from the high standards of placemaking and environmental specifications at our sites.

Suppliers

Strong partnerships based on trust, fairness, and shared values and objectives

Customers

A high-quality product delivered on time, and a strong working relationship that drives repeat business

Funders

A regular and open dialogue, with updates on our operational and financial performance

Government

A trusted partner in delivering homes, jobs and opportunities across the regions

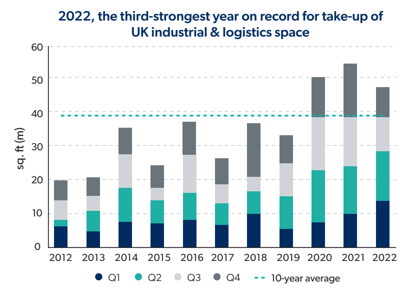
Our markets

We operate in the industrial & logistics and residential markets, which continue to benefit from favourable supply and demand dynamics, structural growth, and strong support from local and central government.

Industrial & logistics

Demand remains above long-term averages, but declined significantly in the second half of 2022

Data from Savills indicates that 2022 was the third-strongest year ever for take-up, with 48m sq. ft of space transacted. However, it was very much a year of two halves, with a record breaking first half giving way to a weaker second half, and take-up slowing in the fourth quarter, albeit remaining well above the 15-year average.



Source: Savills

Build-to-suit transactions reached a record high in 2022, equating to 50% of all take-up. Amongst the remaining speculative take-up, over half of transactions occurred before the space had been practically completed, meaning the average void for speculatively constructed units during the year was just one month.

Occupational demand remains resilient, although the sector is not recession proof. Rising interest rates, a tighter lending environment and general economic uncertainty have weighed on demand in the investment market, and are likely to continue to in the short term.

In response, decisions to start new speculative direct development projects in the year will be market-driven, while we continue to progress land sales, pre-let and build-to-suit opportunities, for which we continue to see demand across our sites.

A shift is underway in the sectors driving demand, and the type of space they require

Looking at demand by market sector, online retailers saw their lowest take-up of space in five years in 2022, while traditional retailers saw their highest take-up since 2016. The third-party logistics ('3PL') and manufacturing sectors recorded their strongest years ever, accounting for 30% and 24% of the market respectively. The increased demand from these sectors is likely driven by an increased focus by occupiers on supply chain resilience, onshoring and near-shoring.

Grade A space accounted for 86% of take-up, a significantly higher proportion than the long-term average of 60%, demonstrating that, more than ever, occupiers are demanding high-quality space and ESG-compliant facilities in order to provide better staff welfare and attract and retain both talent and business.

86% of demand was for Grade A space

Strongest year ever for manufacturing take-up

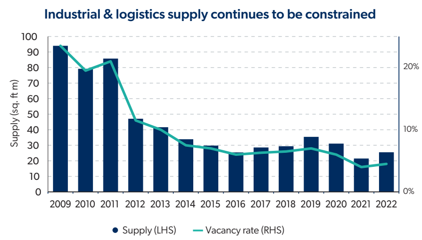
3PL accounted for 30% of take-up

One of our key strategic objectives is to directly develop and retain high-quality Grade A space. This ensures we are meeting the demand of occupiers, while ensuring staff welfare and NZC goals are prioritised.

Supply still highly constrained, while market-wide vacancy remains close to a record low

During 2022, supply of industrial & logistics space trended slightly upwards to 26m sq. ft, reflecting a vacancy rate of 3.9%. Both of these figures remain close to record lows, which is mainly the result of significant levels of take-up in recent years in addition to factors such as planning delays, which have constrained the creation of new space.

Grade A continues to account for an ever-higher share of supply, as developers respond to the sustainability needs of occupiers.



Source: Savills

Some of Harworth's focus regions have particularly low supply and vacancy rates, for example the West Midlands, where vacancy is around 3%. This should provide additional support to the occupational market in these regions.

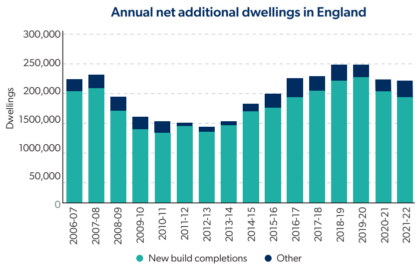
Capital markets in the industrials sector impacted by wider headwinds

The real estate capital markets have been negatively impacted by market headwinds, particularly in the industrials sector, following a period of very significant growth. The MSCI-IPD index shows that the UK industrial sector saw a capital value decline of -18% during 2022, with a decline of -27% during the last six months, as an outward yield shift of 130bps for the sector was only partially offset by rental growth of +10.3%.

Residential

Housebuilding remains well below UK Government targets

The UK Government has a long-standing target to build 300,000 new homes per year in England. While delivery has been in excess of 200,000 for the past six years, it remains well below the target level.



Source: Department for Levelling Up, Housing & Communities

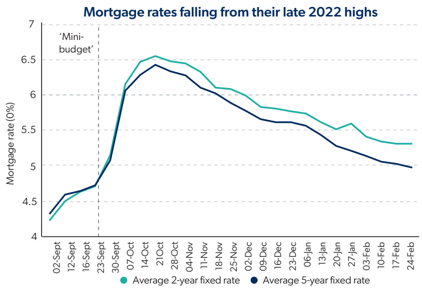
Government interventions such as the Help to Buy Mortgage Guarantee Scheme (which has now been extended until December 2023), Shared Ownership, and the Affordable Homes Programme have the potential to encourage further housing development.

Buyer activity slowed towards the end of 2022, with housebuilders reducing delivery volumes and land buying

House prices fell during each of the four final months of the year, according to data from Nationwide, and all indicators point to a slowdown in transactional activity across the sector as the impact of higher mortgage rates, challenging affordability and subdued consumer confidence has taken hold. As a result, supply of new homes for sale reached around 42,000 in December 2022, its highest level since May 2021. Reporting from housebuilders points to a reduction in volumes over the coming year and a more selective approach to land acquisitions.

We completed a record level of residential plot sales in 2022, which was in part due to bringing forward land sales originally planned for the following year to take advantage of buoyant market conditions.

Data for 2023 so far shows that mortgage rates are recovering from the disruption seen in the second half of 2022, although they remain some way off recent historical averages.



Source: Mortgage Strategy 'Weekly rate watch'

We are encouraged by the fact that we continue to see good levels of demand from those housebuilders that have stated that they are holding back on land purchases, which underscores the differentiated nature of our serviced and, therefore, de-risked land product.

Planning approvals for major residential projects fall to lowest level for a decade

Data from the Department for Levelling Up, Housing & Communities shows that planning approvals for major residential schemes reached their lowest level for 10 years in 2022. The planning system is being constrained by limited resources, more complex requirements and the need for local authorities to divert funding elsewhere.

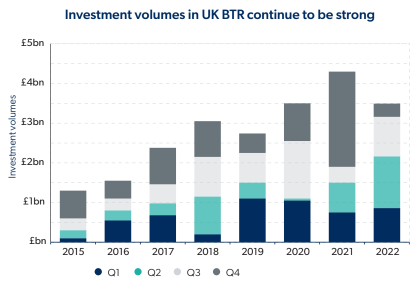
Planning system constraints have limited the ability of housebuilders to progress strategic land into the development phases. This could be a short-term benefit for Harworth, as it drives demand for our serviced land product, which is de-risked and ready to build on.

However, in the longer term it is in both ours and our housebuilding partners' interests to ensure planning system reform that delivers growth. We continue to work with local authorities and industry groups to ensure the planning system works fairly and efficiently for all.

While we welcome some of the proposed amendments to the National Planning Policy Framework announced by the Government in December 2022, other changes such as the removal of the need for planning authorities to maintain a five-year supply of deliverable housing sites could further exacerbate challenges around delays and shortfalls in land supply.

Build-to-Rent market continues to grow

The institutional Build-to-Rent ('BTR') market continued its growth throughout 2022 as it establishes itself as an important part of the wider private rental sector. The latest data from the British Property Federation and Savills projects the number of completed BTR homes to increase fivefold to 380,000 by 2032. Investors are attracted to the highly defensive and consistent returns offered and opportunities to create low carbon homes and sustainability-led rental communities.



Source: Savills

Our initial portfolio of sites for single-family BTR homes, therefore, represents a highly attractive proposition for investors to access this market at scale, with opportunities for further portfolios in the future. For Harworth, it provides increased resilience in the event of a material downturn in the traditional 'Build-to-Sell' market.

Our growth strategy

Our ambitious growth strategy builds on the skills of our people and the strength of our portfolio to drive growth, maximise returns to investors and grow the business to reach £1bn of EPRA NDV by 2027. The strategy is focused around four key drivers of growth.

1

Increasing direct development of industrial & logistics stock

Harworth is an experienced developer, having built 1.7m sq. ft of industrial & logistics space since 2015, including a record level of direct development in 2022.

We have a significant committed industrial & logistics development pipeline ahead of us, with schemes spread across our regions, in strong locations that are attractive to both investors and occupiers.

What we will do

Our strategy is to undertake the direct development of much of our consented pipeline, scaling up to an average of 800,000 sq. ft per annum by 2027.

We intend to manage the market risk associated with development by focusing on pre-let, build-to-suit and forward funding opportunities alongside land sales when the market appetite is less certain. Our programme of development will be funded by a mixture of cash generated from the Group, our core banking facilities and project debt and the potential use of joint ventures.

Link to KPIs

- Total Return
- Net asset value, EPRA NDV per share and LTV
- Industrial & logistics space directly developed
- Total industrial & logistics pipeline
- Potential GVA that could be delivered from our portfolio
- Scope 1, Scope 2 and Scope 3 business travel emissions

Link to principal risks

- Planning
- Supply chain cost inflation and constraints
- Supply chain and delivery partner management
- Residential and commercial markets
- Organisational development and design
- Availability of appropriate capital
- NZC pathway

2

Accelerating sales and broadening the range of our residential products

Harworth's residential land portfolio is significant and has the ability to deliver around 29,000 housing units into the market, with around a quarter of this already consented.

While strong demand remains for the traditional Build-to-Sell product offered by housebuilders, there is increased consumer and investor appetite for mixed tenure products such as BTR homes, affordable homes and retirement living.

What we will do

Our portfolio is well-suited to delivering institutional quality single-family rental homes. As a result, we launched our first single-family BTR portfolio during the year. Our mixed tenure team continue to explore opportunities to further diversify the residential products at our sites.

Through a combination of increased plot sales for 'Build-to-Sell' products and the launch of new residential products, our ambition is to double residential sales to around 2,000 plots on average per annum by 2027.

Link to KPIs

- Total Return
- Net asset value, EPRA NDV per share and LTV
- Number of plots sold to housebuilders
- Total residential pipeline
- Potential GVA that could be delivered from our portfolio
- Scope 1, Scope 2 and Scope 3 business travel emissions

Link to principal risks

- Planning
- Supply chain cost inflation and constraints
- Supply chain and delivery partner management
- Statutory costs of development
- Residential and commercial markets
- Organisational development and design
- Availability of appropriate capital
- NZC pathway

3

Growing our strategic land portfolio and land promotion activities

Our landbank underpins our ability to deliver our strategy. Around a quarter of this is currently consented, as measured by potential residential plots and industrial & logistics sq. ft.

We take a long-term view to replenishing our landbank. Our regional and head office teams have dedicated acquisitions specialists, focused on acquiring and assembling land through a mixture of freeholds, options, and PPAs.

What we will do

We will maintain a 12–15-year land supply at any time, taking account of our annual direct development volume and plot sale ambitions.

As we step into the delivery of our strategy, organic growth of the pipeline will be supplemented by developing key partnerships to assemble and deliver large-scale regeneration schemes with the potential for larger acquisition opportunities.

Link to KPIs

- Total Return
- Net asset value, EPRA NDV per share and LTV
- Total industrial & logistics pipeline
- Total residential pipeline
- Potential GVA that could be delivered from our portfolio

Link to principal risks

- Availability of and competition for strategic land sites
- Planning
- Statutory costs of development
- Organisational development and design
- Availability of appropriate capital

4

Repositioning our Investment Portfolio to modern Grade A

Our Investment Portfolio is integral to the way that we fund our business, providing recurring revenue and opportunities for capital growth through asset management.

The portfolio benefits from robust operational metrics, and a diverse occupier base. We are also investing to improve the environmental efficiency of these buildings, to build climate resilience and extend their lifespan.

What we will do

We will largely retain the assets that we directly develop, while disposing of those assets from our existing portfolio where we have maximised value through the completion of asset management initiatives. This approach will progressively reposition our Investment Portfolio to sustainable, high-quality Grade A assets with good access to infrastructure and proximity to urban centres.

This portfolio shift will enable us to meet our NZC targets and provide opportunities to stabilise and grow capital values across the units that we directly develop.

Link to KPIs

- Total Return
- Net asset value, EPRA NDV per share and LTV
- Industrial & logistics space directly developed
- Total industrial & logistics pipeline
- Proportion of Investment Portfolio that is Grade A
- Scope 1, Scope 2 and Scope 3 business travel emissions

Link to principal risks

- Residential and commercial markets
- Organisational development and design
- Availability of appropriate capital
- NZC pathway

Case study

Direct development at Bardon Hill

During the year we completed the direct development of 332,000 sq. ft of Grade A industrial & logistics space at a site in Bardon Hill, Leicestershire.

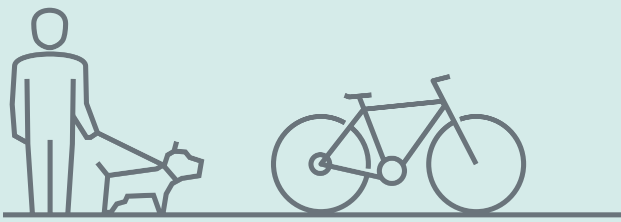
The development is strategically located less than two miles from Junction 22 of the M1, adjacent to our residential South East Coalville development, and within one of the UK's fastest growing manufacturing and distribution locations, where existing occupiers include Amazon, Eddie Stobart and DHL.

Harworth acquired the 54-acre Bardon Hill site in May 2018. The scheme received outline planning consent from North West Leicestershire Council in July 2019, and approval of reserved matters was received in March 2020. Construction commenced in the second half of 2021.

The development comprises five units ranging from 29,000 sq. ft to 119,000 sq. ft, built to BREEAM Very Good standard, EPC rating A and achieving NZC in construction accreditation. All units have first floor offices, secure service yards and dedicated car parking spaces, ensuring the units appeal to a wide range of potential occupiers.

Located at the apex of UK's golden triangle for logistics, the Bardon Hill site can serve three-quarters of the UK population within a single heavy-goods vehicle journey. It is also located less than half an hour from East Midlands Airport, home to the UK's largest air cargo operation.

To date, we have completed lettings representing 188,000 sq. ft, with Charles Kendall Freight, an international freight forwarder, Zwilling J.A. Henckels AG, a German kitchenware manufacturer and retailer, and Trimark, a designer and manufacturer of vehicle hardware products. We are in advanced letting negotiations regarding a further unit at the site which, combined with the units currently let, would represent 65% of the total space available at the development.



Building efficiency and integrating energy into development

Achieving Net Zero Carbon in construction

Harworth has worked with Winvic Construction, the main contractor for Bardon Hill, to pilot a 'NZC in construction' approach at Bardon Hill, which minimises embodied carbon in the building phase. This was achieved through a sustainable approach to material specification and the offsetting of the remaining construction-related embodied carbon through the use of Verified Carbon Standard or Gold Standard schemes focused on tree planting and ecology, renewable energy, and social projects. The units are also designed to be capable of being NZC in operation through integrated renewable energy, enhanced build specification, and the incorporation of green lease terms.

Protecting and promoting biodiversity

Creating new spaces for local wildlife and enhancing on-site employee wellbeing

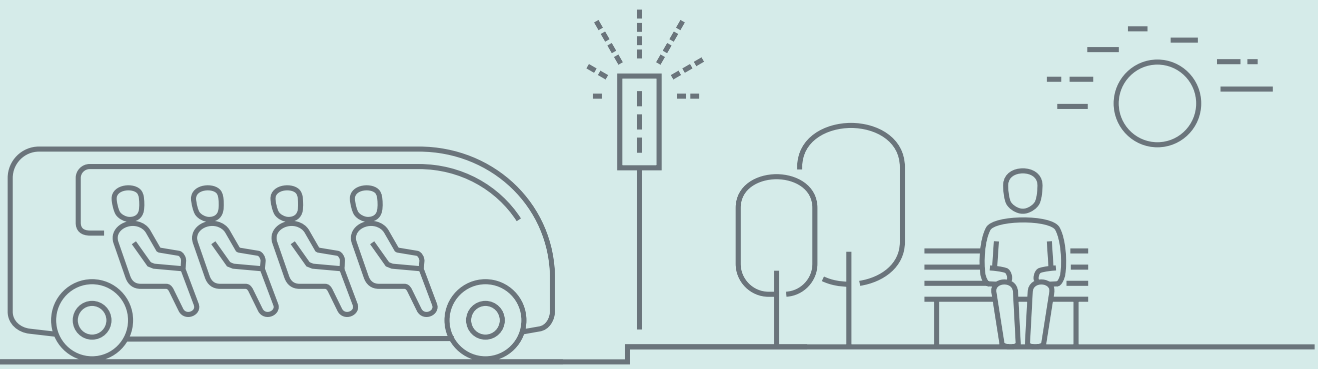
Bardon Hill benefits from extensive landscaping, which has included the planting of wildflowers and over 2,300 predominantly deciduous trees, 99% of which are native, together with the incorporation of two storm attenuation ponds. Benches are provided throughout this space, making it an ideal location for relaxation and contemplation, which in turn enhances the wellbeing of employees at the site. In addition, the creation of a 10-acre local wildlife site around the River Sence provides a green corridor which further enhances biodiversity.

David Cockroft,
Regional Director for the Midlands:

"Bardon Hill has delivered Grade A industrial & logistics space in a highly sought-after location less than two miles from the M1. In addition to providing new jobs for the local community, this development will protect and enhance local biodiversity through the creation of new green spaces, and improve local infrastructure. We have been really pleased with the demand from potential occupiers so far."

930 jobs
to be supported once fully let

£71m
of GVA to be delivered to the local economy



Case study

Accelerating residential sales at Waverley

At Waverley, Harworth is undertaking Yorkshire's largest brownfield regeneration project – the transformation of the former Orgreave colliery into a new community of up to 3,038 homes set amongst 310-acres of green space, and 2.1m sq. ft of employment space at the Advanced Manufacturing Park, with the potential to support over 4,000 high-skilled jobs. To date, land has been sold for over 2,442 homes, and 1.6m sq. ft of space has been delivered at the AMP.

During 2022, land sales were completed representing 556 plots to two housebuilders, all of which have already delivered houses at the site. This repeat business underscores the popularity of Waverley as a place to live, and also the strong relationships that Harworth has forged with a wide range of housebuilding partners.

In June, Harworth competed its largest-ever residential plot sale in a £29m transaction with Barratt and David Wilson Homes. The housebuilder intends to deliver approximately 450 homes, of which over 30% will be affordable. The new homes will represent Barratt and David Wilson Homes' fifth phase at the site and will benefit from unique water frontage in an area of the development known as Waverley Waterfront. Construction will follow a bespoke design code that complements the existing Waverley development, while maximising the amenity value of the area's waterfront location. The development will include a pedestrianised promenade, further enhancing the site's placemaking and connectivity.

Towards the end of the year, Harworth completed a sale to regional housebuilder Sky-House, to deliver an additional 106 homes. The planned development will comprise a mixture of two to four-bedroom houses and apartments designed by CODA Architecture. The units will be a re-imagining of Victorian terraced homes for modern day living, providing well-designed energy-efficient homes with roof gardens.

Alongside residential sales, it has been an active year for progressing other community amenities at the site. Work began on a 150-bedroom Marriott Courtyard hotel, which will also provide a restaurant and gym facilities. The hotel will occupy a prominent position at the entrance to the Waverley development, and will provide an important community asset for use by residents and businesses at the adjacent AMP. Plans have also been approved for a new healthcare centre at the site, which will be delivered alongside Olive Lane, the site's mixed-use 'heart of the community' development.

Creating sustainable communities & preserving heritage

Introducing single-family Built-to-Rent homes to Waverley

In 2022, Harworth launched its single-family BTR portfolio, responding to the significant growth in demand for this product in recent years and delivering on our strategic objective of broadening the range of our residential products.

One of the sites in the portfolio is Waverley, where over 150 rental homes will be delivered. The community is ideally positioned to provide all the attributes that single-family BTR occupiers look for, with a primary school just moments away, plentiful green space and other amenities, and good access to employment opportunities at the adjacent AMP and slightly further afield in Sheffield and Doncaster.

3,038
homes planned for Waverley

2.1m sq. ft
employment space planned for the AMP

310 acres
of green space

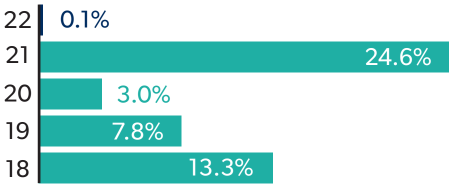
David Cross,
Founder & Director, Sky-House Co.

"Building our third phase of new homes at Waverley is a significant milestone as we continue our productive relationship with Harworth to deliver what buyers really want from their new homes in the North of England. As the largest Sky-House development to date, it heralds our transition to a regional housebuilder of choice, meeting head-on the challenges of quality design, energy efficient homes, liveable streets and at a price point within the reach of people across South Yorkshire."

Key performance indicators

Financial track record

Total Return

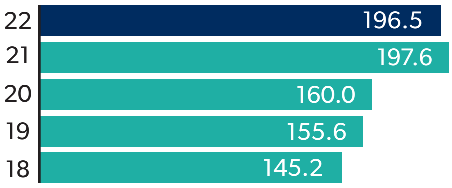


Link to strategy: 1 2 3 4 £

What we measure
Growth in EPRA NDV during the year in addition to dividends paid, as a proportion of EPRA NDV at the beginning of the year.

Performance in 2022
Our Total Return was a result of EPRA NDV remaining broadly flat year-on-year, due to our management actions largely offsetting market-driven valuation movements.

EPRA Net Disposal Value ('NDV') per share (pence)

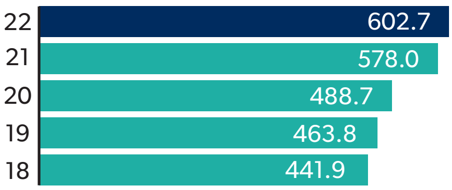


Link to strategy: 1 2 3 4 £

What we measure
A European Pubic Real Estate Association ('EPRA') metric that represents a net asset valuation where deferred tax, financial instruments and other adjustments, as set out in Note 2 to the financial statements, are calculated to the full extent of their liability.

Performance in 2022
Following a significant increase in valuations during the first half, we experienced outward yield shifts driven by softer market conditions in the second half. Over the course of the year, our management actions largely offset market movements, and this resulted in valuations, and, therefore, EPRA NDV, remaining broadly flat year-on-year.

Net asset value (£m)

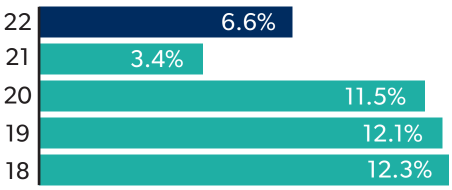


Link to strategy: 1 2 3 4

What we measure
The value of our assets less the value of our liabilities, based on IFRS measures, which excludes the mark-to-market value of development properties.

Performance in 2022
Net asset value increased slightly as a result of crystallising valuation gains through development property sales during the year.

Net loan to portfolio value ('LTV')



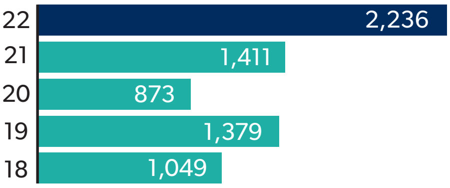
Link to strategy: 1 2 3 4 £

What we measure
Net debt as a proportion of the aggregate value of properties and investments.

Performance in 2022
Our LTV increased slightly during the year, but remained well within our internal target of less than 20% at year-end, as we continue to carefully manage our levels of net debt.

Strategic track record

Number of plots sold to housebuilders

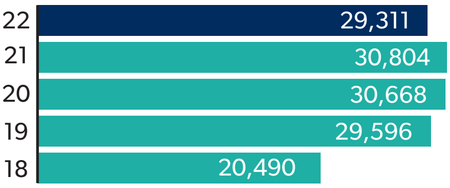


Link to strategy: 2 H

What we measure
The number of plots equivalent to land parcel sales to housebuilders during the year.

Performance in 2022
We completed a record number of residential plot sales in 2022. This was due to buoyant housebuilder demand and the bringing forward of land sales planned for future years to take advantage of market conditions.

Total residential pipeline (plots)



Link to strategy: 2 3 £

What we measure
The total number of residential plots that could be delivered from our pipeline at the end of the year including freehold land, options and PPAs.

Performance in 2022
Our residential pipeline declined slightly, but remains well within our ambition to maintain a 12–15-year land supply. The reduction was due to a record year for plot sales, which more than offset those added to the pipeline through acquisitions.

Strategy link key

- **1** Increasing direct development of industrial & logistics stock
- **2** Accelerating sales and broadening the range of our residential products
- **3** Growing our strategic land portfolio and land promotion activities
- **4** Repositioning our Investment Portfolio to modern Grade A
- **H** The Harworth Way
- **£** Group targets

Key performance indicators continued

Strategic track record

Industrials & logistics space directly developed (sq. ft)

Link to strategy: 1 4 H £

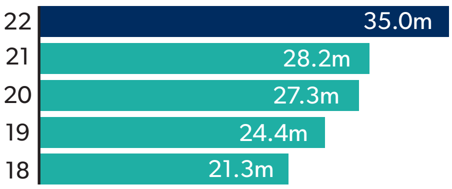
What we measure

The proportion of industrial & logistics space developed by Harworth, either speculatively or on a build-to-suit basis for an end occupier.

Performance in 2022

We developed a record amount of industrial & logistics space in 2022, totalling 432,000 sq. ft. This mainly comprised our 332,000 sq. ft Bardon Hill development in Leicestershire.

Total industrial & logistics pipeline (sq. ft)



Link to strategy: 1 3 4 £

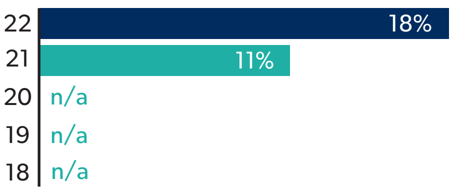
What we measure

The total amount of industrial & logistics space that could be delivered from our pipeline at the end of the year, including freehold land and options.

Performance in 2022

Our industrial & logistics pipeline increased significantly, with the signing of several option agreements and a number of freehold acquisitions as part of land assembly works.

Proportion of Investment Portfolio that is Grade A



Link to strategy: 4 £

What we measure

The proportion of our Investment Portfolio by area that could be classified as modern Grade A industrial & logistics space. Although not officially defined, Grade A is a widely-used industry term that is understood to mean 'best in class' space, which is new or relatively new, high-specification and in a desirable location, allowing the unit to attract a rent that is above the market average.

Performance in 2022

The proportion of our Investment Portfolio that is Grade A space increased as our completed Bardon Hill development was transferred to the portfolio.

Economic, environmental and social track record

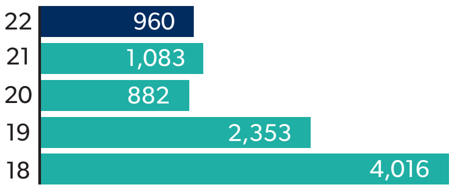
Potential Gross Value Added ('GVA') that could be delivered from our portfolio (£bn)

Link to strategy: 1 2 3 H

What we measure
Calculated by Ekosgen, an economic impact consultancy, on our behalf. This estimates the total contribution that our portfolio could make to the economy once fully built out.

Performance in 2022
The potential GVA that could be delivered from our portfolio increased due to the additional employment potential created by our industrial & logistics acquisitions during the year.

Scope 1, Scope 2 and Scope 3 business travel emissions (tonnes CO_2e)

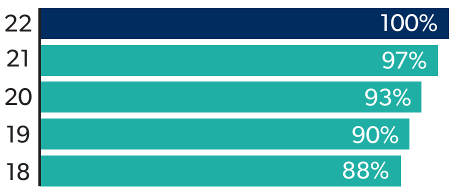


Link to strategy: 1 2 4 H £

What we measure
Emissions that are captured by our target to be NZC by 2030. During the year, the scope and availability of our emissions data increased, and, therefore, figures for 2021 have been restated to allow for a like-for-like comparison with 2022.

Performance in 2022
Our emissions decreased during the year, mainly due to reduced energy consumption at our company offices, communal areas of our Investment Portfolio assets and other Harworth assets and infrastructure.

Employee pride



Link to strategy: H

What we measure
The proportion of employees who said they were "proud to tell people that I work for Harworth" in our annual employee survey.

Performance in 2022
Levels of staff satisfaction remained very high, as we continued our work to ensure Harworth is an employer of choice, with initiatives aimed at promoting employee engagement, wellbeing and equity, diversity and inclusion.

Strategy link key

- **1** Increasing direct development of industrial & logistics stock
- **2** Accelerating sales and broadening the range of our residential products
- **3** Growing our strategic land portfolio and land promotion activities
- **4** Repositioning our Investment Portfolio to modern Grade A
- **H** The Harworth Way
- **£** Group targets

Chief Executive's review

"We remain confident in our strategy, the resilience of our products and focus markets, and the ability of our through-the-cycle management actions to realise the long-term potential of our sites."

Lynda Shillaw
Chief Executive

Harworth has had another year of significant operational progress, delivering against our strategy to become a £1bn business by 2027. We ended the period in a strong financial position, with a low LTV, significant available liquidity and no major refinancing requirements until 2027. This progress, combined with the fact that we own the majority of our sites, and can, therefore, determine the scale and pace of development to suit our risk profile, provides us with significant flexibility as we navigate a more uncertain period.

Our strategic plan spans five to seven years, and over this time period it was possible that we would encounter a cyclical downturn given the strength of our markets in the preceding years. While the triggers, timing and shape of a shift in the cycle are difficult to predict, it became evident over the course of the year that a downturn was materialising. Despite a strong first half performance, the wider macroeconomic challenges facing global economies, including rising interest rates and inflation, weighed on sentiment in the second half. Our management actions to generate value largely offset the resulting market-driven yield shifts, meaning that valuations and, therefore, EPRA NDV remained broadly flat year-on-year, while our statutory net assets increased slightly.

We remain confident in our strategy, the resilience of our products and focus markets, and the ability of our through-the-cycle management actions to realise the long-term potential of our sites and returns to shareholders, and while there have been some positive market indicators so far in 2023, market conditions remain uncertain. We have seen in recent years that our markets can move quickly, and we remain closely attuned to the potential impacts that this could have on our business, retaining the flexibility to adjust our plans where necessary.

Our markets

Harworth's focus markets of residential and industrial & logistics both continue to be characterised by good levels of demand, and constrained supply.

In the industrial & logistics sector, occupier demand is showing resilience, and there is evidence of continued rental growth. Data from Savills indicates that 2022 was the third-strongest year ever for take-up, with 48m sq. ft of space transacted. However, it was very much a year of two halves, with a record breaking first half giving way to a much weaker second half, and take-up slowing markedly in the fourth quarter, albeit remaining well above the 15-year average. An interesting picture emerges when looking at the market sectors driving demand: online retailers saw their lowest take-up in five years, while the third-party logistics sectors and manufacturing sectors recorded their strongest years ever, likely driven by an increased focus on supply chain stability, onshoring and near-shoring. Grade A space accounted for 86% of take-up, a significantly higher proportion than the long-term average and an endorsement of our strategic priority to transition our Investment Portfolio to Grade A.

At the same time, supply of industrial & logistics space remains close to an all-time low, at under 4% market-wide. Across many of our regions, supply is even lower than the market average – according to Savills, both Yorkshire & the North East and the West Midlands are seeing vacancy rates of around 3% and less than half a year of supply as calculated by average take-up in the last three years.

This sector is of course not recession proof. Rising interest rates, a tighter lending environment and general economic uncertainty are undoubtedly weighing on investment demand and are likely to continue to do so in the short term.

In the residential markets, house prices fell during each of the final four months of the year, according to data from Nationwide, and all indicators point to a slowdown in transactional activity across the sector as the combined impact of higher mortgage rates, challenging affordability and subdued consumer confidence has taken hold. As a result, supply of new homes for sale reached around 42,000 in December 2022, its highest level since May 2021, and this figure is expected to grow further over the course of 2023. Recent data suggests that average mortgage rates are recovering from the disruption seen in the second half of 2022, although they remain some way off recent historical averages and that housebuilders have seen enquiry levels regain some of the ground lost.

Reporting from housebuilders points to a reduction in construction volumes over the coming year and a more selective approach to land acquisitions. We are encouraged by the fact that we continue to see good levels of demand from housebuilders, with many of whom we have long-term relationships, underscoring the differentiated nature of our serviced and, therefore, de-risked land product. It also reflects the reality that, given resource constraints and differing priorities amongst local authorities, the pipeline of consented land is becoming increasingly constrained.

The institutional BTR market continued its growth throughout 2022 as it establishes itself as an important part of the wider private rental sector. The latest data from the British Property Federation and Savills projects the number of completed BTR homes to increase fivefold to 380,000 by 2032. Investors are attracted to the highly defensive and consistent returns offered and opportunities to create low carbon homes and sustainability-led rental communities. Harworth's single-family BTR portfolio of sites represents a highly attractive proposition for investors to access this market at scale, with opportunities for further portfolios in the future.

In the second half of 2022, real estate capital markets were negatively impacted by market headwinds, particularly in the industrials sector, following a period of very significant growth. The MSCI-IPD index shows that UK industrial assets saw a capital value decline of -18% during 2022, with a decline of -27% during the last six months, as an average outward yield shift of 130bps for the sector was only partially offset by rental growth of +10.3%. Our valuation performance has for the most part outperformed these wider trends, as our management actions, resilient occupational demand and strong sales activity have so far largely offset valuers' adjustments to reflect the effect of increased debt costs and outward yield movement on the pricing of the end product. In the residential space, Knight Frank data shows that English greenfield land values declined only -1.3% in 2022, as softening market conditions for house purchases was partially offset by the ongoing scarcity of appropriate development land, and the potential for low grade agricultural land to be used for natural capital projects.

Operational performance

Our strategy, outlined in September 2021, set out a clear road map for our ambition to grow EPRA NDV* to £1bn by 2027. As the table below shows, we delivered across all areas of the strategy in 2022.

Growth driver	2015–2020	2021	Progress in 2022	Ambition by 2027
Increasing direct development of industrial & logistics stock	1.3m sq. ft developed over five years	51,000 sq. ft developed	432,000 sq. ft completed during the year 203,000 sq. ft under construction at year-end	800,000 sq. ft completed on average per annum
Accelerating sales and broadening the range of our residential products	c.860 plots sold on average per year	1,411 plots sold	2,236 plots sold	2,000 plots sold on average per annum
Scaling up land acquisitions and promotion activities	Land supply of 12–15 years		Maintained land supply of 12–15 years through acquisitions representing 8.5m sq. ft of industrial & logistics space and 2,643 residential plots	Maintain a land supply of 12–15 years
Repositioning our Investment Portfolio to modern Grade A	<10% of investment Portfolio was Grade A	11% of the Investment Portfolio was Grade A at year-end	18% of the Investment Portfolio was Grade A at year-end	100% of the Investment Portfolio to be Grade A

The majority of the 432,000 sq. ft of completed direct development related to our Bardon Hill site, which has achieved NZC in construction status and is currently 65% let or in heads of terms. The year also saw the completion of a 100,000 sq. ft build-to-suit unit for a sportswear manufacturer at the AMP in Rotherham. After year-end, we completed a further 110,000 sq. ft as part of the next phase of Gateway 36, with one unit already let and another in heads of terms. Given investment market conditions, our focus for 2023 will be on built-to-suit and pre-let direct development opportunities, as well as land sales to potential occupiers. In line with this strategy, we have pre-let a 73,000 sq. ft unit at the AMP to a technology occupier and submitted planning for a 139,000 sq. ft unit at Gateway 36, which we intend to pre-let before construction commences.

We saw a record year for residential plot sales, with completed transactions totalling 2,236 plots (2021: 1,411 plots) at prices in line with, or ahead of, December 2021 valuations. These included our single largest serviced residential land sale, to Barratt and David Wilson Homes at Waverley, and also the first land parcel sale at our Ironbridge

Chief Executive's review continued

site, to the same housebuilder. We also launched our first single-family BTR portfolio of sites for up to 1,200 homes, which has attracted significant levels of interest. Our preferred investment and construction partners have now been selected and we are progressing towards exchange. Offering this combination of 'Build-to-Sell' and BTR products will allow us to accelerate the delivery, and enhance the vibrancy, of our residential sites, as we target the sale of an average of 2,000 residential plots per annum across all tenure types by 2027.

Turning to acquisitions, we added 2,643 plots and 8.5m sq. ft of industrial & logistics space to our pipeline during the year. These were achieved through a combination of freehold acquisitions, options and Planning Promotion Agreements ('PPAs'). Two significant options were signed to deliver up to 3.0m sq. ft of industrial & logistics space at a site in North Yorkshire, and up to 1.6m sq. ft adjacent to Junction 15 of the M1 in Northamptonshire. The size of our landbank remains a key differentiator for us, providing flexibility and the potential to smooth our returns profile at a portfolio level, and unlocking exciting new opportunities for the business.

Our Investment Portfolio continued to deliver robust operational metrics, with a vacancy rate of 8.3% at year-end (2.7% excluding Bardon Hill, which was only completed in September) and 99% of rent so far collected for the year. We also completed 622,000 sq. ft of lettings, in most cases at premiums to estimated rental values ('ERVs') and passing rents. As Bardon Hill entered the Investment Portfolio during the year, we also commenced the disposal of more mature assets where we had already maximised value through asset management and development initiatives, with the sale of two sites after year-end for a total of £12.6m, broadly in line with or ahead of December 2022 valuations.

During the year, we also completed a review of our Natural Resources portfolio, which comprises sites used for a wide range of energy production and extraction purposes. The review aimed to determine how best to protect and optimise value from this portfolio, while maximising the role these assets play in realising our sustainability ambitions. The outcome has been to develop an Energy & Natural Capital strategy, with the aim of developing, with strategic partners, renewable energy generation solutions and other green initiatives such as battery storage, district heating, and reforestation/rewilding on Natural Resources assets. At the same time, the Natural Resources team will have a wider responsibility for embedding these energy concepts and principles across each of our development sites to maximise energy availability and green capital for residents and occupiers and fulfil Harworth's NZC ambitions.

Financial performance

Following a strong first half, the softening macroeconomic environment and outward yield shift applied to property valuations at 31 December 2022 resulted in EPRA NDV per share[1] remaining broadly flat year-on-year at 196.5p, which translated into a Total Return of 0.1% for 2022 (2021: 24.6%). Statutory net asset value was £602.7m (2021: £578.0m).

Sales of serviced land and property, in addition to income from rent, royalties and fees, resulted in Group revenue of £166.7m (2021: £109.9m). This increase derived primarily from the sale of our Kellingley development site for £54.0m and the acceleration of residential land sales particularly during the first half, to take advantage of then buoyant market conditions.

The Board is proposing a final dividend of 0.929p per share, bringing the total dividend per share for 2022 to 1.333p, representing 10% underlying growth from 2021, in line with our dividend policy.

As we navigate a more uncertain economic period, we continue to maintain a strong balance sheet and financial position, with significant available liquidity of £175.6m as at 31 December 2022 (31 December 2021: £128.0m), following the signing of a new £200m revolving credit facility ('RCF') in early 2022, with no major refinancing events until 2027. Our LTV at year-end was 6.6%

(31 December 2021: 3.4%), affording us a high degree of flexibility and resilience as we pursue our strategy.

The Harworth Way

This has been a transformative year for Harworth's ESG ambitions, as we appointed our first Director of Sustainability and created a dedicated sustainability team within the business. Their focus during the year has been to devise a NZC pathway and to expand and continue to embed The Harworth Way, our sustainability programme, which is now in its fourth year. The team is also building our capabilities in measuring and reporting carbon emissions, and reviewing our commitments and approach beyond the year.

The resulting NZC pathway, to be published alongside our Annual Report, confirms the scope and boundary of the pathway, and outlines a detailed set of targets and delivery strategy to meet our ambition to be operationally NZC by 2030 and fully NZC by 2040. Central to our delivery strategy will be the adoption of build specifications for our industrial & logistics sites and also the homes to be delivered by Harworth's mixed tenure team.

Delivering social value is an area which to date, has been challenging for us to define and measure as a business. We know that, as a specialist regenerator and placemaker, we have a lasting positive impact on the communities we serve, supporting job creation and delivering new infrastructure, schools and other amenities, and a wealth of green space to help people live healthier lives. Our sustainability team is now exploring how we can deliver even more for our communities in areas such as promoting healthier lifestyles, creating inclusive spaces and holistic travel planning, and importantly, how we can measure this to assess and benchmark our progress.

Our people

Harworth's ambition is to be an employer of choice, providing an inspiring place to work and attracting and retaining the best talent. Critical to our success is the engagement, wellbeing and diversity of our people and our 'One Harworth' culture. As our team continued to grow over the year, we progressed many initiatives to promote these attributes. We also saw a record number of promotions across the business, reflecting both our commitment to recognise achievement and to ensure career progression and development opportunities.

We made several new appointments to our Group Leadership Committee during the year, all of which were new roles that are critical to support our growth strategy. This included our Director of Strategy, Investment & Business Development, Director of Sustainability, Director of Group Resources and Transformation and Head of Legal. Alongside these appointments we have also undertaken reviews of our workspaces, working closely with our teams, to ensure they are motivational and inspiring places for our people and fully accommodate our hybrid ways of working. This included the expansion of our Leeds and Manchester offices, and an ongoing project to enhance our head office space.

Outlook

Following the rapid outward yield movements of late 2022, some signs of stability seem to be returning to the market in the early months of 2023 as the speed of interest rate rises and outward yield shifts slows. Employment levels remain high and the S&P Global/CIPS construction PMI has reported that UK construction activity is at levels above analysts' expectations. That said, the war in Ukraine continues and economies around the globe are still responding to the energy and other commodity shocks that this triggered coming so shortly after a global pandemic. At this early stage in the year we remain cautious about the economic backdrop for 2023. Uncertainty is likely to remain in our markets until interest rates reach their peak, and inflation falls back to manageable levels, creating the conditions for growth and improved investor confidence.

Harworth is a long-term through-the-cycle business: you cannot 'do regeneration' quickly. Most of our sites will be in development, planning or land assembly through the next few years and into the next decade. This means that, while we are active through-the-cycle and modify our short-term plans to reflect changes in the market, we also look through these near-term market conditions to where we need to invest to create the future value and returns that we can unlock from our sites.

What we do is important to the local economies that we invest in and the communities we create. Our focus markets are drivers of economic growth and continue to have robust fundamentals. Moreover, in an economy in need of planning reform that truly drives growth, there remains an acute shortage of high-quality consented land. We control our landbank, where and when we invest, and have a highly experienced management team who are focused on execution. As we navigate the business through the challenges of the wider economic backdrop, we are confident that our strategy is the right one to deliver long-term value to stakeholders, while meeting our NZC commitments, and our strong financial position, differentiated products, and the scale and mix of our portfolio, position us well to realise the full potential of our sites.

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

Lynda Shillaw
Chief Executive

13 March 2023

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

Operational review

Industrial & logistics land portfolio

At 31 December 2022, the industrial & logistics pipeline totalled 35.0m sq. ft (31 December 2021: 28.2m sq. ft), of which 5.4m sq. ft was consented (31 December 2021: 7.3m sq. ft), and 5.6m sq. ft was in the planning system awaiting determination (31 December 2021: 6.1m sq. ft). The pipeline was 56% owned freehold, with the remaining 44% controlled via options or PPAs.

Acquisitions and land assembly

During the year, freehold acquisitions and options added 8.5m sq. ft to the pipeline. The majority of this related to two significant option agreements:

- Site in North Yorkshire: a 316-acre site adjacent to the A1 near Selby. Harworth intends to promote the site for the development of up to 3.0m sq. ft of employment space as part of the Local Plan of the soon-to-be-formed North Yorkshire Council.
- Junction 15, Northamptonshire: a 168-acre site south of Junction 15 of the M1 in Northamptonshire. Harworth will work with local stakeholders to bring forward plans for up to 1.6m sq. ft of Grade A industrial & logistics space, alongside unique landscaping features and an ecological enhancement area.

Planning

At year-end, 5.6m sq. ft of space was in the planning system awaiting determination. Since year-end we have secured two consents, the first for 206,000 sq. ft of flexible employment space in Barnsley, on the site of the former Houghton Main Colliery, and the second for 72,000 sq. ft of space on a site adjacent to the Bardon Hill development in Leicestershire. Two significant planning applications currently remain in the system awaiting determination:

- Gascoigne Wood, North Yorkshire: this 185-acre former colliery site benefits from an existing rail connection and close proximity to the A1(M) and M62. Revised plans have been submitted for 1.5m sq. ft of rail-linked industrial & logistics space at the site.
- Skelton Grange, Leeds, West Yorkshire: formerly the location of Skelton Grange Power Station, this 50-acre site was acquired by Harworth in 2014 and is adjacent to Junction 45 of the M1, to the south-east of Leeds city centre. Plans have been submitted for 800,000 sq. ft of space across five units, in addition to infrastructure upgrades, new cycle ways and footpaths, and ecological enhancements.

Direct development and placemaking

During the year, practical completion was reached on two direct developments:

- AMP in Rotherham, South Yorkshire: a 100,000 sq. ft build-to-suit facility was developed by Harworth for a sportswear manufacturer, which has upsized from a smaller unit elsewhere at the AMP.
- Bardon Hill, Leicestershire: a development of 332,000 sq. ft of Grade A logistics and manufacturing space across five units, located just two miles from Junction 22 of the M1, with 65% of the space currently let or in heads of terms. The site has achieved NZC in construction status and incorporates storm attenuation ponds, a 10-acre wildlife centre and landscaping features to enhance employee wellbeing.

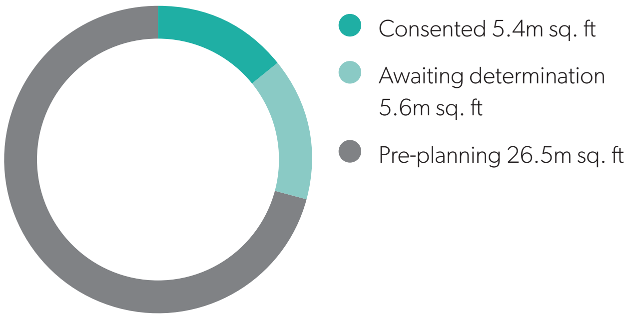
After year-end, a further 110,000 sq. ft was completed at Gateway 36 in Barnsley, South Yorkshire, representing the start of the second phase of that development. Plans are in place to develop two additional buildings as part of phase two, which will be capable of delivering up to 600,000 sq. ft of space. The units will be delivered to Harworth's sustainable commercial building specification, targeting EPC A and BREEAM Excellent, with whole life carbon assessments incorporated into the design and renewable energy provision included.

Direct development works totalling 93,000 sq. ft are currently underway at the AMP. An additional 73,000 sq. ft to commence later this year, which has been pre-let to an occupier. During the year, the Group received development management revenue totalling £4.2m (2021: £2.5m) from build-to-suit opportunities.

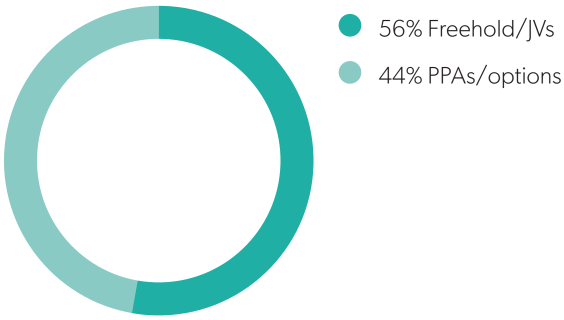
Land sales

Industrial & logistics land sales totalling £57.0m were completed during the year, at prices above or in line with 31 December 2021 valuations. The largest disposal related to the sale of the Kellingley site in North Yorkshire for £54.0m.

Planning status



Ownership



Residential land portfolio

As at 31 December 2022, the residential pipeline had the potential to deliver 29,311 housing plots (31 December 2021: 30,804), of which 6,111 were consented (31 December 2021: 9,978), and 1,890 across eight sites were in the planning system awaiting determination (31 December 2021: 811). The pipeline was 51% owned freehold, with the remaining 49% subject to PPAs, options or overages.

Acquisitions and land assembly

During the year, a combination of freehold acquisitions, options and PPAs added 2,643 residential plots to the pipeline. The majority of this related to the freehold acquisition of a 174-acre site in Huyton, Merseyside, which represents a longer-term opportunity to deliver up to 1,500 homes.

Plot sales

Completed residential land sales totalled 2,236 plots (2021: 1,411 plots), with the significant increase from the prior year mainly due to expediting sales to take advantage of robust housebuilder demand. Sales were either in line with, or ahead of, book values, and the headline sales price ranged from £28k to £105k per serviced plot (2021: £30k to £73k).

Sales were completed with a range of housebuilders, and included the Group's largest serviced land sale to date by number of residential plots, representing 450 plots, and the first land parcel sale at Benthall Grange, the site of the former Ironbridge Power Station in Shropshire. Both sales were made to Barratt and David Wilson Homes.

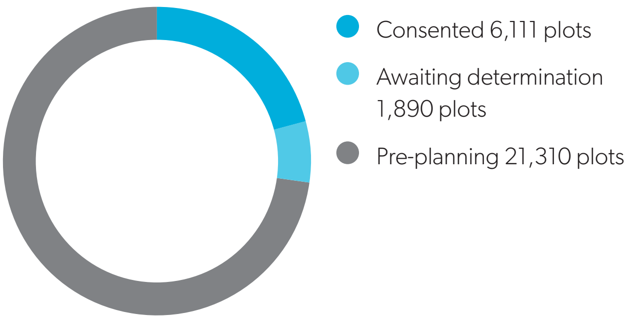
A sale at the South East Coalville site to Cadeby Homes represented the Group's first transaction with this regional housebuilder, the 21st housebuilder with which Harworth has transacted with since the Group was formed.

The year also saw the completion of a number of PPAs – arrangements whereby Harworth receives a fee from a landowner for securing a planning approval and plot sale on their behalf – generating £5.8m in fees.

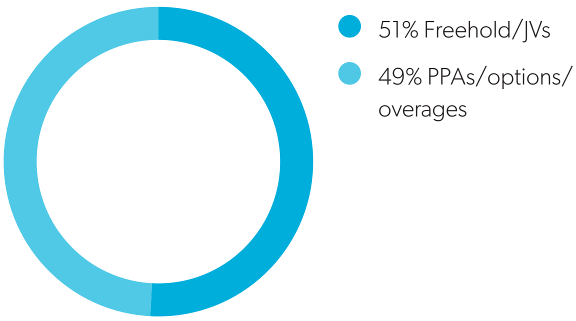
Placemaking

As a master developer, Harworth prides itself on investing in its residential sites to provide enhanced infrastructure, amenities and green spaces. This investment creates a sense of community that improves the wellbeing of residents and enhances the attractiveness of these developments to housebuilders and other partners.

Planning status



Ownership



Operational review continued

During the year, several placemaking initiatives were undertaken across the portfolio:

- South East Coalville, Leicestershire: a planning application was submitted for a new 420-place 'Forest School', which maximises opportunities for learning both inside and outside the classroom, and integrates several sustainability features including solar PV panel coverage and air source heat pumps. Planning was also secured for a new supermarket at the site, which will form part of a proposed local centre.
- Waverley, South Yorkshire: construction began on a new 150-bedroom hotel, including a restaurant and gym facilities, which will also be available to residents on site. Planning permission has also been granted for a new primary health centre, in conjunction with the local Clinical Commissioning Group, which will have capacity for 6,000 patients.
- Moss Nook, Merseyside: construction of a new spine road was completed at the site, with segregated pedestrian and cycle routes and landscaping features. The new road provides a more direct connection between the site and the amenities of St Helens town centre, and unlocks land for further residential development.

Investment Portfolio

This portfolio comprises both industrial & logistics assets that have been acquired by Harworth and, increasingly, those that have been directly developed and retained. It provides recurring rental income in addition to asset management opportunities and the potential for capital value growth.

As at 31 December 2022, the Investment Portfolio comprised 19 sites covering 4.0m sq. ft (31 December 2021: 18 sites covering 3.7m sq. ft). It generated £19.7m of annualised rent (31 December 2021: £18.0m), equating to a gross yield of 7.0% (31 December 2021: 6.5%) and a net initial yield of 6.2% (31 December 2021: 5.6%). Annualised rent for the portfolio increased during the year, driven by the addition of new Grade A space to the portfolio and a 2.6% like-for-like increase in rents. Grade A space represented 18% of the portfolio (31 December 2021: 11%), which increased to 20% with the completion of units at Gateway 36 after year-end.

During the year, 622,000 sq. ft of leasing deals were completed, adding £1.7m of annualised rent. Lease renewals and regears were completed at terms that on average represented an 8% uplift to previous passing rents, while new lettings were completed on average at a 10% premium to 31 December 2021 ERVs.

The portfolio had an average rent per tenant of £6.43 per sq. ft at 31 December 2022 (31 December 2021: £6.32) and a weighted average rent of £4.69 per sq. ft (31 December 2021: £4.50).

Across the Investment Portfolio, operational metrics remain robust. Rent collection currently stands at 99% for the year (2021: 99%). Vacancy was 8.3% at year-end, reducing to 2.7% by excluding the recently completed Bardon Hill site (31 December 2021: 4.1%), while the Weighted Average Unexpired Lease Term ('WAULT') was 11.3 years (31 December 2021: 11.5 years).

Disposals

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

After year-end, the Group completed the sales of Moorland Gate Business Park, Chorley, and Sinfin Business Park, Derby for total consideration of £12.6m, broadly in line with or ahead of December 2022 valuations.

Natural Resources portfolio

Harworth's Natural Resources portfolio comprises sites used by occupiers for a wide range of energy production and extraction purposes, including wind and solar energy schemes, battery storage and methane capture. As at 31 December 2022, it generated £2.1m of annualised gross rent (31 December 2021: £4.1m), with the reduction over the year mainly due to the sale of the Meriden Quarry site in Warwickshire for £11.6m.

During the year, a review of this portfolio and the wider development portfolio took place to determine how best to protect and optimise value, while maximising the role these assets can play in realising the Group's sustainability ambitions, particularly with regards to meeting energy demand, delivering biodiversity net gain, and carbon offsetting.

The outcome has been to form an Energy & Natural Capital strategy for the Group, with the aim of developing, alongside strategic partners where appropriate, renewable energy generation solutions and other sustainability initiatives such as battery storage, solar, EV charging, multi-fuel hubs and reforestation/rewilding on Natural Resources assets. The strategy will have a wider focus on embedding these energy concepts and future-proofing principles across all of Harworth's sites to maximise energy availability and resilience, create economic value and help fulfil the Group's NZC ambitions.

Financial review

"Our 2022 performance reflected good progress against strategic objectives, coupled with a strong operational delivery."

Kitty Patmore
Chief Financial Officer

Overview

Our primary metric, Total Return (the movement in EPRA NDV* plus dividends per share paid in the year expressed as a percentage of opening EPRA NDV per share), for 2022 was 0.1% (2021: 24.6%). The Total Return was impacted significantly by the worsening macro-economic environment in the second half of the year, higher interest rates and increased investment yields applied to industrial & logistic valuations at 31 December 2022. Over the year, the yield shift was largely offset by management actions such as progress on development sites, completing direct development, securing sales and asset management initiatives in our Investment Portfolio resulting in EPRA NDV remaining broadly flat, declining by 0.6% during the year to 196.5p per share (2021: 197.6p). Our 2022 performance reflected good progress against strategic objectives, coupled with a strong operational delivery. Alongside this, the structural undersupply within our chosen markets remains, and provides a good foundation for the Group's future growth.

Sales of serviced land and property, in addition to income from rent, royalties and fees, resulted in Group revenue of £166.7m (2021: £109.9m). This increase included the completion of the sale of the Group's Kellingley development site for £54.0m cash consideration following the conditional exchange during 2021, enabling the Group to crystalise value created through the regeneration of the former colliery site. The acceleration of serviced land sales allowed the Group to capitalise on the strength of the residential market in the first three-quarters of the year and sales continued to complete up to December as our product remained attractive to housebuilders. Rental income collection has been consistently strong and income has increased because of management actions, including the completion of direct development at Bardon Hill, new lettings and rent reviews. The £166.7m of revenue also included PPA and development management revenue fees totalling £10.0m (2021: £2.5m). Looking forward, the sales profile is robust with 71.9% of 2023 budgeted sales by value already completed, exchanged or in heads of terms (2021: 43.1%).

BNP Paribas and Savills, our independent valuers, completed a full valuation of our portfolio as at 31 December 2022, resulting in full-year valuation losses* of £15.0m (2021: gains of £148.0m), including the movement in the market value of development properties. These external independent valuations reflect conditions in the industrial & logistics market, offset by the positive factors resulting from management actions on our sites. Outside of the valuation movements, profit on sales of £13.0m (2021: £12.5m) were achieved reflecting prices ahead of previous book values for sales overall. This gave us total value losses of £2.0m (2021: £160.5m gains).

The fair value of investment properties decreased by £19.7m (2021: £84.0m increase), which has fed through to an underlying operating profit of £44.5m (2021: £121.9m) and profit after tax of £27.8m (2021: £94.0m).

Over the year, the net asset value grew to £602.7m (31 December 2021: £578.0m). With EPRA adjustments for development property valuations included, EPRA NDV[1] at 31 December 2022 reduced to £633.8m (31 December 2021: £637.5m) representing a per share decrease of 0.6% to 196.5p (31 December 2021: 197.6p).

The Group has declared a final dividend of 0.929p per share, bringing the total dividend per share for 2022 to 1.333p, representing 10% underlying growth from 2021, in line with our dividend policy.

During 2022, a new five-year £200m RCF was agreed, together with a £40m uncommitted accordion facility to support the delivery of our growth strategy. At the year-end, our drawings under the RCF were low, reflecting cash conversion from sales as well as rental and other income. Our net loan to portfolio value at year-end was 6.6%. As a result of the low drawn level of our variable rate borrowings, coupled with the proportion of drawn debt under fixed rate infrastructure loans, we currently do not have interest rate hedging in place against the RCF, although this will remain under review.

Financial review continued

Presentation of financial information

As our property portfolio includes development properties and joint venture arrangements, Alternative Performance Measures ('APMs') can provide valuable insight into our business alongside statutory measures. In particular, revaluation gains on development properties are not recognised in the Consolidated Income Statement and the Balance Sheet. The APMs outlined below measure movements in development property revaluations, overages and joint ventures. We believe that these APMs assist in providing stakeholders with additional useful disclosure on the underlying trends, performance and position of the Group.

Our key APMs* are:

- Total Return: the movement in EPRA NDV plus dividends per share paid in the year expressed as a percentage of opening EPRA NDV per share.
- EPRA NDV per share: EPRA NDV aims to represent shareholder value under an orderly sale of the business, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability net of any resulting tax. EPRA NDV per share is EPRA NDV divided by the number of shares in issue at the end of the period (less shares held by the Employee Benefit Trust or Equiniti Share Plan Trustees Limited to satisfy Restricted Share Plan and Share Incentive Plan awards.)
- Value gains: the realised profits from the sales of properties and unrealised profits from property valuation movements including joint ventures, and the mark-to-market movement on development properties and overages.
- Net loan to portfolio value: Group debt net of cash held expressed as a percentage of portfolio value.

A full description of all non-statutory measures and reconciliations between all statutory and non-statutory measures are provided in Note 2 to the consolidated financial statements. Our financial reporting is aligned to our business units of Capital Growth and Income Generation with items which are not directly allocated to specific business activities, held centrally and presented separately

Income Statement

	2022				2021			
	Capital Growth £m	**Income Generation £m**	**Central Overheads £m**	**Total £m**	Capital Growth £m	Income Generation £m	Central Overheads £m	Total £m
Revenue	135.4	31.3	–	166.7	81.1	28.8	–	109.9
Cost of sales	(74.4)	(8.9)	–	(83.3)	(53.1)	(8.1)	–	(61.4)
Gross profit	**61.0**	**22.4**	**–**	**83.4**	28.0	20.7	–	48.7
Administrative expenses	(4.1)	(1.9)	(16.1)	(22.1)	(3.4)	(2.1)	(13.7)	(19.2)
Other gains/(losses)	17.8	(34.5)	–	(16.8)	57.5	35.0	–	92.5
Other operating expense	–	–	(0.1)	(0.1)	–	–	(0.1)	(0.1)
Operating profit/(loss)	**74.7**	**(14.0)**	**(16.2)**	**44.5**	82.2	53.5	(13.8)	121.9
Share of (loss)/profit of JVs	(4.3)	(3.2)	–	(7.5)	4.5	4.7	–	9.2
Net interest credit/(expense)	0.1	–	(6.2)	(6.1)	0.2	–	(4.1)	(3.9)
Profit/(loss) before tax	**70.4**	**(17.2)**	**(22.4)**	**30.9**	86.9	58.2	(17.9)	127.2
Tax charge	–	–	(3.0)	(3.0)	–	–	(33.3)	(33.2)
Profit/(loss) after tax	**70.4**	**(17.2)**	**(25.4)**	**27.8**	86.9	58.2	(51.1)	94.0

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

Revenue in the year was £166.7m (2021: £109.9m), of which Capital Growth contributed £135.4m (2021: £81.1m) and Income Generation contributed £31.3m (2021: £28.8m).

Capital Growth revenue, which primarily relates to the sale of development properties, increased due to the completion of the sale of the Kellingley development site for £54.0m as well as the acceleration of residential land sales, including our largest sale to date at Waverley. Capital Growth revenue also includes fees from PPAs and build-to-suit development revenue together totalling £10.0m (2021: £2.5m), including in respect of the construction of a new 100,000 sq. ft facility at the AMP following the associated 2021 land sale.

Revenue from Income Generation (the Investment Portfolio, Natural Resources and Agricultural Land) mainly comprises property rental and royalty income. Revenue of £31.3m (2021: £28.8m) was higher than last year and included the impact of new lettings related to direct development agreed during the year as well as asset management initiatives and increased royalties from energy assets. Rental income from the Investment Portfolio increased on an annualised basis from £18.0m to £19.7m in 2022 following new lettings, re-gears and the practical completion of our Bardon Hill development, with like-for-like rent growing by 2.6%.

Cost of sales comprises the inventory cost of development property sales, costs incurred in undertaking build-to-suit development and both the direct and recoverable service charge costs of the Income Generation business. Cost of sales increased to £83.3m (2021: £61.2m), of which £67.7m related to the inventory cost of development property sales (2021: £55.1m) and included additional costs related to build-to-suit development not incurred in the previous year. In the year, we saw a decrease in the net realisable value provision on development properties of £2.4m (2021: £5.2m decrease) following the valuation process as at 31 December 2022.

Administrative expenses increased in the year by £2.9m (2021: £4.7m increase). This was due to higher salary expenses, resulting from increased employee numbers as we right sized the resources of the Group over 2021 and 2022 to deliver on our strategy. Growth in employee numbers is expected to slow from 2023 onwards. Administrative expenses expressed as a percentage of revenue decreased from 17% in 2021 to 13% in 2022 reflecting the continued acceleration in activity relating to sales of development property as well as successful completion of managed direct development projects generating fees and PPAs.

Other losses comprised a £19.9m combined net decrease (2021: £85.0m net increase) in the fair value of investment properties and assets held for sale ('AHFS') less the profit on sale of investment properties, AHFS and overages of £3.2m (2021: £7.4m).

Joint venture losses of £7.5m (2021: £9.2m profit) were largely the result of a decrease in the property valuations at Multiply Logistics North and Aire Valley Land, both of which were impacted by the industrial & logistics market movements. Value gains/(losses) on a non-statutory basis are outlined below.

Non-statutory value gains/(losses)*

Value gains/(losses) are made up of profit on sale, revaluation gains/(losses) on investment properties (including joint ventures), and revaluation gains/(losses) on development properties, AHFS and overages. A reconciliation between statutory and non-statutory value gains can be found in Note 2 to the financial statements.

£m		**2022**			2021			**2022**	2021
	Category	**Profit on sale**	**Revaluation gains/ (losses)**	**Total**	Profit on sale	Revaluation gains/ (losses)	Total	**Total valuation**	Total valuation
Capital Growth									
Residential Major Developments	Development	**11.6**	**2.2**	**13.8**	5.6	19.5	25.1	**228.1**	184.5
Industrial & logistics Major Developments	Mixed	**(2.0)**	**(3.4)**	**(5.4)**	1.0	59.9	60.9	**68.2**	123.7
Residential Strategic Land	Investment	**0.4**	**39.8**	**40.2**	0.5	6.2	6.7	**51.4**	53.0
Industrial & logistics Strategic Land	Investment	**(0.2)**	**(12.7)**	**(12.9)**	0.6	28.2	28.8	**82.2**	91
Income Generation									
Investment Portfolio	Investment	**–**	**(41.0)**	**(41.0)**	0.1	36.2	36.3	**280.9**	277.5
Natural Resources	Investment	**3.2**	**(0.2)**	**3.0**	3.5	(1.9)	1.6	**20.3**	30.6
Agricultural Land	Investment	**–**	**0.3**	**0.3**	1.2	(0.1)	1.1	**5.7**	5.4
Total		**13.0**	**(15.0)**	**(2.0)**	12.5	148.0	160.5	**736.8**	765.7

Notes: A full description and reconciliation of the APMs in the above table is included in Note 2 to the consolidated financial statements. There are some minor differences on some totals due to roundings. Profit/(loss) on sale includes the impact of transaction fees incurred.

Financial review continued

Profit on sale of £13.0m (2021: £12.5m) reflected the completion of sales above book value. Revaluation losses were £15.0m (2021: £148.0m gains) and are outlined in the table below.

	2022 £m	2021 £m
(Decrease)/increase in fair value of investment properties	(19.7)	84.0
(Decrease)/increase in value of assets held for sale	(0.2)	1.1
Movement in net realisable value provision on development properties	(2.0)	2.8
Contribution to statutory operating profit	**(22.0)**	87.9
Share of (loss)/profit of joint ventures	(7.5)	9.2
Unrealised gains on development properties and overages[1]	14.5	50.9
Total non-statutory revaluation (losses)/gains	**(15.0)**	148.0

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

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

Industrial & logistics

- The industrial & logistics market had a record breaking first half of the year giving way to a much weaker second half. In particular, rising interest rates, a tighter lending environment and general economic uncertainty resulted in CBRE reporting that market-wide investment yields moved out by 175bps from June 2022 to December 2022 and 150bps over the 12 months of 2022 across both prime and secondary industrial & logistics properties. Occupier demand remained resilient and rents across the sector increased.
- These market dynamics affected our industrial & logistics Major Development sites, Strategic Land sites and the Investment Portfolio. For development sites, costs of construction also increased over the year.
- In Major Developments, gains relating to the sale of the Kellingley site, and on completing the direct development at Bardon Hill, development progress across sites, securing grant funding at Chatterley Valley and increased estimated rental value largely offset the downwards movement in valuations caused by increased yields.
- Strategic Land valuations, where the site is close to delivery, for example in the planning pipeline, were more affected by the market movements than longer-term strategic sites, although valuation downwards movements were reduced by progress in planning made during the year.
- The Investment Portfolio property yields moved in line with the market but our management actions securing new leases, renewals and rent reviews resulted in the net initial yield moving only 60bps to 6.2% from 5.6% as at 31 December 2021.

Residential

- The residential market saw house prices fall during the final months of the year and the supply of new homes for sale reaching its highest level in December 2022 since May 2021.
- Residential land sales on our Major Development sites continued to demonstrate the demand for our serviced land product and underpin valuations.
- In particular, the first sale at Benthall Grange, our Ironbridge site, set the pricing point for this development and delivered a valuation gain. This site was categorised as Strategic Land during 2022 until transferred to Major Developments during the second half of the year.

Natural Resources

- Valuations remained broadly consistent with minor valuation decline in the waste and recycling portfolio.

Agricultural Land

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

The net realisable value provision on development properties as at 31 December 2022 was £9.8m (31 December 2021: £12.2m). This provision is held to reduce the value of six development properties from their deemed cost (the fair value at which they were transferred from an investment to a development categorisation) to their net realisable value at 31 December 2022. The transfer from Investment to Development Property takes place once planning is secured and development with a view to sale has commenced.

Cash and sales

The Group made property sales* in the year of £138.5m (2021: £108.3m), achieving a total profit on sale of £13.0m (2021: £12.5m). Sales comprised residential plot sales of £69.5m (2021: £64.9m), industrial & logistics land sales of £57.0m (2021: £18.1m) and sales of other, mainly mature, income-generating sites and agricultural land, of £12.0m (2021: £25.3m).

Cash proceeds from sales in the year were £131.2m (2021: £114.5m) as shown in the table below:

	2022 £m	2021 £m
Total property sales[1]	**138.5**	108.3
Less deferred consideration on sales in the year	**(28.5)**	(27.4)
Add receipt of deferred consideration from sales in prior years	**21.2**	33.6
Total cash proceeds	**131.2**	114.5

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

Tax

The income statement charge for taxation for the year was £3.0m (2021: £33.2m), which comprised a current year tax charge of £21.8m (2021: £6.4m charge) and a deferred tax credit of £18.7m (2021: £26.8m charge).

The current tax charge resulted primarily from profits from the sale of development properties, investment property, AHFS, profit on the rental of investment property, royalties and other fees after taking into account overheads and interest costs. The decrease in deferred tax largely relates to unrealised losses on investment properties. The deferred tax balance has been calculated based on the rate expected to apply on the date the liability is reversed.

At 31 December 2022, the Group had deferred tax liabilities of £25.9m (31 December 2021: £46.9m) and deferred tax assets of £1.8m (31 December 2021: £4.3m). The net deferred tax liability was £24.1m (31 December 2021: £42.6m).

Basic earnings per share and dividends

Basic earnings per share for the year decreased to 8.6p (2021: 29.1p) reflecting the small overall movement in the valuation of the land and property portfolio in 2022, compared to a significant valuation gain in 2021.

In addition to the interim dividend of 0.404p, the Board has determined that it is appropriate for a final dividend of 0.929p (2021: 0.845p) per share to be paid, bringing the total dividend for the year to 1.333p (2021: 1.212p) per share. The recommended 2022 final dividend and 2022 total dividend represent a 10% increase in line with our dividend policy.

Property categorisation

Until sites receive planning permission and their future use has been determined, our view is that the land is held for a currently undetermined future use and should, therefore, be held as investment property.

We categorise properties and land that have received planning permission, and where development with a view to sale has commenced, as development properties.

As at 31 December 2022, the balance sheet value of all our development properties was £205.0m (2021: £172.7m) and their independent valuation by BNP Paribas was £238.8m, reflecting a £33.9m cumulative uplift in value since they were classified as development properties. In order to highlight the market value of development properties, and overages, and to be consistent with how we state our investment properties, we use EPRA NDV, which includes the market value of development properties and overages less notional deferred tax, as our primary net assets metric.

Net asset value

	31 Dec 2022 £m	31 Dec 2021 £m
Properties[1]	**695.4**	689.8
Cash	**11.6**	12.0
Trade and other receivables	**60.7**	55.1
Other assets	**11.8**	5.3
Total assets	**779.5**	762.2
Gross borrowings	**(60.0)**	(37.8)
Deferred tax liability	**(24.1)**	(42.6)
Derivative financial instruments	**–**	0.2
Other liabilities	**(92.7)**	(103.6)
Statutory net assets	**602.7**	578.0
Mark to market value adjustment on development properties and overages less notional deferred tax[2]	**31.2**	59.5
EPRA NDV[2]	**633.8**	637.5
Number of shares in issue less Employee Benefit Trust & Equiniti Share Plan Trustees Limited-held shares	**322,612,685**	322,539,284
EPRA NDV per share[2]	**196.5p**	197.6p

1 Properties include investment properties, development properties, AHFS, occupied properties and investment in joint ventures.

2 A full description and reconciliation of the APMs in the above table is included in Note 2 to the consolidated financial statements.

Financial review continued

EPRA NDV at 31 December 2022 was £633.8m (31 December 2021: £637.5m), which includes the mark to market adjustment on the value of the development properties and overages. The total portfolio value as at 31 December 2022 was £736.8m, a decrease of £28.9m from 31 December 2021 (£765.7m). The Group's share of loss from joint ventures of £7.5m (2021: £9.2m profit) resulted in investments in joint ventures decreasing to £29.8m (31 December 2021: £36.1m). Trade and other receivables include deferred consideration on sales as set out previously. At 31 December 2022, deferred consideration of £34.6m (31 December 2021: £27.4m) was outstanding, of which 91% is due within one year.

The table below sets out our top ten sites by value, which represent 47% of our total portfolio, showing the total acres for each site and split according to their categorisation, including currently consented residential plots and commercial space:

Site	Site type	Categorisation in balance sheet	Region	Progress to date
South East Coalville	Major Development	Development	Midlands	2,016 residential units consented, land sold representing 771 units
Benthall Grange, Ironbridge	Major Development	Investment	Midlands	1,000 residential units consented, land sold representing 110 units
Bardon Hill	Investment Portfolio	Investment	Midlands	Units completed, with 65% of site let or in heads of terms
Nufarm	Investment Portfolio	Investment	Yorkshire & Central	n/a
Ansty[1]	Strategic Land	Investment	Midlands	Proposed industrial & logistics site, planning not yet submitted
AMP	Investment Portfolio	Investment	Yorkshire & Central	n/a
Waverley	Major Development	Development	Yorkshire & Central	3,038 residential units consented, land sold representing 2,442 units
Preston	Investment Portfolio	Investment	North West	n/a
Thoresby Vale	Major Development	Development	Yorkshire & Central	800 residential units consented, land sold representing 362 units
Knowsley	Investment Portfolio	Investment	North West	n/a

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

Finance strategy

Harworth's financing strategy remains to be prudently geared. The Income Generation portfolio provides a recurring income source to service debt facilities and this is supplemented by proceeds from sales. The Group has an established sales track record that has been built up since re-listing in 2015, with 2022 providing further growth in sales.

To deliver its strategic plan, the Group has adopted a target net loan to portfolio value* at year-end of below 20%, with a maximum of 25% in-year. As a principle, the Group will seek to maintain its cash flows in balance by funding the majority of infrastructure expenditure through disposal proceeds, while allowing for growth in the portfolio.

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

Debt facilities

An RCF with NatWest and Santander had been in place since 2015. During the first half of 2022, we entered into a new five-year £200m RCF, together with a £40m uncommitted accordion option, which replaced the original RCF. NatWest and Santander continue to support us in the new RCF and we welcomed HSBC to our banking group. The new RCF is aligned to the Group's strategy and provides significant additional liquidity and flexibility to enable us to pursue our strategic objectives. The interest rate of the new RCF is on a loan-to-value ratchet mechanism with a margin payable above SONIA in the range of 2.25% to 2.50%. There are now no major refinancing requirements until 2027.

As part of its funding structure, the Group also uses infrastructure financing provided by public bodies and site-specific direct development loans to promote the development of major sites and bring forward the development of logistics units.

The Group had borrowings and loans of £60.0m at 31 December 2022 (2021: £37.8m), being the RCF drawn balance (net of capitalised loan fees) of £34.6m (2021: £33.3m) and infrastructure or direct development loans (net of capitalised loan fees) of £25.4m (2021: £4.5m). The Group's cash balances at 31 December 2022 were £11.6m (2021: £12.0m). The resulting net debt was £48.4m (2021: £25.7m).

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

	2022 £m	2021 £m
Opening net debt as at 1 January	**(25.7)**	(71.2)
Cash inflow from operations	**58.9**	57.0
Property expenditure and acquisitions	**(66.6)**	(41.0)
Disposal of investment property, AHFS and overages	**14.2**	44.5
Investments in joint ventures	**(1.2)**	(1.6)
Interest and loan arrangement fees	**(6.0)**	(4.6)
Dividends paid	**(4.0)**	(5.9)
Tax paid	**(17.7)**	(3.6)
Other cash and non-cash movements	**(0.3)**	0.7
Closing net debt as at 31 December	**(48.4)**	(25.7)

The weighted average cost of debt, using an end of month average 2022 balance and 31 December 2022 rates, was 5.52% with a 0.9% non-utilisation fee on undrawn RCF amounts (2021: 2.90% with a 0.9% non-utilisation fee). The weighted average term of drawn debt is now 3.2 years (31 December 2021: 2.2 years).

The Group's hedging strategy to manage its exposure to interest rate risk is to hedge the lower of around half its average debt during the year or its net debt[1] balance at year-end. At 31 December 2022, 34% of the Group's drawn debt, reflecting 44% of net debt, was subject to fixed rate interest rates with no hedging instruments in place on the remaining floating rate debt. Projected drawn debt and hedging requirements remain under active review with any new hedging to be aligned to future net debt requirements.

As at 31 December 2022, the Group's gross loan to portfolio value was 8.1% (31 December 2021: 4.9%) and its net loan to portfolio value was 6.6% (31 December 2021: 3.4%). If gearing is assessed against the value of the core income portfolio (the Investment Portfolio and Natural Resources portfolio) only, this equates to a gross loan to core income portfolio value of 26.1% (31 December 2021: 13.0%) and a net loan to core income portfolio value of 21.0% (31 December 2021: 8.9%). Under the RCF, the Group could withstand a material fall in portfolio value, property sales or rental income before reaching covenant levels.

At 31 December 2022, undrawn capacity under the RCF was £164.0m (31 December 2021: £116.0m). Going forwards the RCF, alongside selected use of infrastructure loans where appropriate, will continue to provide the Group with sufficient liquidity to execute our growth strategy.

Kitty Patmore
Chief Financial Officer

13 March 2023

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

Long-term viability statement

Viability period and rationale

The Directors have assessed the prospects of the Group and its principal risks over a longer period than the period required by the Going Concern Statement (see the Statement of Directors' Responsibilities on pages 138 to 139.

The Board conducted a review for a period of five years ending 31 December 2027. This period was selected for the following reasons:

- the Group's strategic plan covers a five-year period;
- for a major scheme five years is a reasonable approximation of the time taken from obtaining planning permission and remediating the site to letting property on and/or developing material parts of the site; and
- most leases contain a five-year rent review pattern and, therefore, five years allows for forecasts to include the reversion arising from such reviews.

The final two years of the period are, by their nature, less certain and are less detailed in their projections.

Resilience of business model

The Group's strategy focuses on continued growth through increasing direct development of industrial & logistics buildings, accelerating land and property sales, broadening the range of residential products, growing our Strategic Land portfolio, and repositioning our Investment Portfolio to modern Grade A. When repositioned, the Investment Portfolio will continue to provide a diversified portfolio of income-producing assets for the Group to support coverage of operating and financing costs. This enables the Group to create value in modern industrial & logistics buildings, while supporting the transition to NZC. Major development sites could be active with phases of development combining to be 15 years or more and plans for sites can be adapted to the market conditions at the time.

Projections have been prepared in the context of the Group's Strategy and its principal income streams, which are:

- sales of residential and commercial serviced land, for which there are plans reaching out to 2027;
- rental income from income-producing industrial properties which, at 31 December 2022, had a vacancy rate of 8.3% at year-end, reduced to 2.7% by excluding the recently completed Bardon Hill site, a WAULT of 11.3 years and a rent collection of 98%; and
- development and investment management, planning promotion and investment fees.

This balance in the portfolio means that regular income from the income-producing portfolio with low vacancy rates will help to support cost coverage. The income-producing properties within the industrial and natural resources sectors have a diverse range of tenants. The land and property portfolio is spread across all stages of our business model, which gives the opportunity, if required, to advance sites at an earlier stage (master-planning and planning promotion). While the market has been impacted by increased interest rates and greater economic uncertainty over the second half of 2022, the residential market has a fundamental insufficient supply of housing and sales to housebuilders remained robust during 2022. Having teams in Yorkshire, the Midlands and North-West balances the exposure to any one region.

Net debt at year-end of £48.4m represented a 6.6% net loan to portfolio value. The Group entered into a new £200m five-year RCF during 2022, adding HSBC to the Group's main lenders alongside Natwest and Santander; this facility provides greater firepower and flexibility with which to execute on the Group's strategy.

Principal risks and uncertainties

Reporting on the Group's viability requires the Directors to consider those principal risks that could impair the solvency and liquidity of the Group. Over the last 12 months, the Board has kept the Group's principal risks under regular review and updated them to reflect the greater economic uncertainty as well as the strategic progress of the Group. Of the principal risks and uncertainties, those that the Board considers could impair solvency and liquidity relate to economic assumptions, income generation variability and appropriate staffing levels. Principally, these fall within the Markets, Project Delivery, Finance, Sustainability and People sub-categories of risks identified in the Effectively managing our risks section of this Report on pages 45 to 53.

Assessment of long-term prospects and sensitivities applied

The five-year strategic plan focuses on the expected growth of the business primarily in terms of EPRA NDV and Total Return including dividends. The strategic plan review also considers the Group's valuations, recurring income, cash flows, covenant compliance, financing headroom and other key financial ratios over the period. These metrics are subject to sensitivity analysis, which involves flexing the main assumptions underlying the forecasts both individually and in unison.

The key risks and the scenarios considered as part of the sensitivity analysis are set out on the following page. Throughout the strategic plan, the Group expects to continue to transform land and property into sustainable places where people want to live and work. Whilst under the sensitivity analysis, EPRA NDV growth plus dividend could be impacted temporarily, the long-term business model is expected to continue to deliver the Group's Purpose in a sustainable manner.

Risk	Scenario	Mitigation and further analysis
Markets: Residential and commercial markets	• Further downturn in industrial & logistics and/or residential market conditions could lead to a fall in property values or reduced sales. • Notwithstanding strong rent collection throughout the last two years, an economic downturn could impact on some tenants' ability to pay rent and lead to loss of rent or restructuring of rental payments. • As a result, expenditure on new land and property acquisitions could be restricted.	• The portfolio provides a spread of sites across the Company's three core regions and properties are diversified across the residential and industrial sectors, both of which have strong underlying demand fundamentals. These help to mitigate the impact of market movements. • Pursuant to our strategy we are working to mitigate a potential downturn by introducing new products at our residential sites, repositioning our Investment Portfolio to modern Grade A and aligning the speed of our direct development to market conditions, de-risking development through obtaining pre-let or forward funding agreements. • The Group works closely with tenants in the Investment Portfolio on payment terms that support both parties to enable the Group to continue to actively manage rent collection. • Development expenditure can be reduced and rephased to match more closely market demand and conserve cash.
Finance: Availability of appropriate capital	• A market downturn reducing sales volumes would lower income. • Short-term downward valuation movement and lower income receipts could be experienced, which would reduce headroom under the financial covenants in the RCF. • Higher interest rates would reduce headroom in interest cover covenants. • Inability to access appropriate equity and/or debt funding to support the strategy.	• At year-end, the Group had low gearing, good liquidity with debt headroom and cash resources providing sufficient financial flexibility to continue to operate across its sites. Headroom on financial covenants is projected throughout the five-year period. • The RCF agreed in 2022 included a £50m increase to £200m. There are now no major refinancing deadlines ahead of when the RCF expires in 2027. • The RCF is supplemented by accessing project specific funding where relevant. We continue to pursue and unlock grant funding. • The Group continues to actively review the risk of interest rate increases, projected drawn debt and hedging requirements, with 44% of the net debt balance at 31 December 2022 subject to fixed interest rates. The Group's hedging strategy is to hedge the lower of around half its average debt during the year or its net debt balance at year-end. • Reduced activity on sites as set out above would reduce development expenditure and conserve cash resources.

Long-term viability statement continued

Risk	Scenario	Mitigation and further analysis
Sustainability: Managing climate change transition	• Failure to manage transitional risks associated with climate change covering both operational activity and reporting. • Impact of climate change on our sites, slowing development programmes and reducing sales.	• Risks associated with the development of our Sustainability Framework and NZC pathway are overseen by our ESG Board Committee (see pages 113 to 114). • A new Non-Executive Director with a strong background in sustainability has been appointed to the Board • All buildings delivered in 2022 were NZC in operation ready, mitigating future Scope 3 emissions. • Development of an Energy and Natural Capital strategy, which includes opportunities for carbon sequestration, bio-diversity net gain, carbon trading and use of renewable energy. • Continued transition of our Investment Portfolio towards modern Grade A. • We have undertaken initial high level scenario modelling covering NZC pathway and transition risks.
Other risks including project delivery and organisational development and design	• Planning promotion risk including uncertainty around local and national changes to planning regime with potential for adverse effect on promotion activity, progress on sites and EPRA NDV growth. • Supply chain pricing pressures and constraints resulting in development cost increases and delays and/or default by and/or insolvency of counterparties. • Legislative reforms, which have the effect of levying an additional cost on development. • Insufficient and/or inappropriate resources, resulting in increased staff costs or reduced.	• Strong relationships with local planning authorities and key local stakeholders, supplemented by local political advisers where appropriate. • The potential impact of planning reforms is modelled in project appraisals ahead of acquisition. • We undertake rigorous tender processes and utilise market intelligence regarding contractors' commitments and workload. • Our central technical team monitors contractor "concentration risk" and promotes consistencies and knowledge-sharing across our portfolio. • There are high levels of employee satisfaction within the business as reported on page 21.

Viability assessment

Based on the results of this analysis and having considered the established controls and available mitigation actions for principal risks and uncertainties, the Directors have a reasonable expectation that the Company and the Group will be able to continue in operation and meet their liabilities as they fall due over the period of their assessment.

Section 172 statement

In this section, we identify our key stakeholders and explain how we have engaged with them and had regard to their interests when making strategic and significant operational decisions during 2022.

Whilst the Board 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 our Purpose and our commercial success.

As we are constantly interacting with a wide range of stakeholders, the appraisal of stakeholder impact has been embedded into Board project appraisals via our Underwriting Approval process. Our Underwriting Proposal templates presented to the Board focus discussion on:

- how each project supports the delivery of our Purpose and aligns with our strategy, including review of financial performance metrics;
- the environmental and societal impact of each project in the context of the key pillars of the Harworth Way – Planet, Communities and People;
- the impact of each project on our external stakeholder groups including a review of risks and opportunities;
- market commentary; and
- resourcing for each project.

The Board's regard to these matters in its discussions and decision making is fundamental to Harworth achieving its Purpose of creating sustainable places where people want to live and work. Further detail on how the Board has had regard to the interests of stakeholders is in the Statement of Corporate Governance on pages 87 to 88 and pages 90 to 91.

Our People

Why we engage	How we engage
The people at Harworth are key to the current and future success of the Company. It is their skills, experience and hard work that allow us to create high-quality, sustainable places where people want to live and work.	The Board engages with staff directly through various formats, including employee lunches, site visits, regional team dinners, office visits and the Employee AGM. The Board also reviews employee engagement across the business and receives feedback from the Chief Executive on people matters at each Board meeting. See more on page 90.
Their key interests	**How do we respond? Examples of actions taken in 2022**
• To work on market-leading projects with pride and enjoyment. • To work in, and contribute to, an innovative, collaborative and diverse culture. • To be supported in their career and personal development, appropriately rewarded and recognised for their contribution. • A sustainable work-life balance. • To feel valued and have their views heard and taken into account in decision making.	We are committed to making Harworth an employer of choice. Our people strategy, which supports our business strategy, is subject to constant review, particularly as the business grows quickly. During the year we appointed a Group Resources and Transformation Director who continues to evolve the people strategy, and has developed a 'People and Enabling Strategy' ready for deployment from 2023. We extended the application of our employee share plans to facilitate share ownership throughout the workforce allowing employees to share in the future success of Harworth. To provide some support during the 'cost-of-living crisis', we made a one-off non-contractual payment to all employees (excluding the Executive team) in December 2022. We have also introduced a Financial Wellbeing Programme, which is offered to all colleagues on an optional basis, offering online/in-person seminars to assist understanding of everyday as well as more complex financial matters. We have progressive maternity, adoption and paternity leave and pay policies, and a range of wellbeing initiatives, which we enhanced during the year with a new menopause policy.

Section 172 statement continued

Investors

Why we engage	How we engage
To explain our performance and strategy to, and understand the views of, existing and prospective shareholders. Without the long-term support of our shareholders, our business and the delivery of our Purpose are not sustainable.	We provide business updates regularly via trading statements and regulatory releases on key transactions. Management meets regularly with existing and prospective investors. The Chair also meets regularly with our largest shareholders. Two of our Non-Executive Directors, Martyn Bowes and Steven Underwood, are conduits for engagement with two of our largest shareholders.
Their key interests	**How do we respond? Examples of actions taken in 2022**
• Long-term and sustainable returns. • A business that considers and delivers a positive environmental and societal impact, with the support of an effective governance framework.	In response to feedback from existing and prospective investors, we have further enhanced our financial and operational disclosures. We hosted investors on several site visits and at a Capital Markets Day during 2022. Our Chief Executive and Chief Financial Officer also held their first live presentation via the Investor Meet Company platform. We engaged with, and took account of the views of, our largest shareholders when formulating our revised Remuneration Policy.

Communities

Why we engage	How we engage
By creating places where people want to live and work, we create thriving communities and make a positive and sustainable contribution to local areas.	Consultation and collaborative working with the local communities where we are transforming sites are fundamental components of a successful project. These include: integrating principles and measures into our masterplans, which align with the Harworth Way and our Sustainability Framework; early and ongoing engagement with the public on masterplans and all planning applications; liaison with key community groups as developments mature; and careful management of the shared public open space on our sites often in collaboration with local residents.
Their key interests	**How do we respond? Examples of actions taken in 2022**
The creation of sustainable places where people want to live and work. Each site is unique but key interests for those living and working on our sites typically include: housing or places of work with a high design specification; supporting infrastructure, which has been carefully designed, delivered and "future proofed"; skilled employment; thoughtfully constructed blue and green spaces, which have a positive ecological impact and promote wellbeing; education provision; and comprehensive local amenities.	Consideration of the placemaking proposals for, and the impact on local communities of, each project are key components of our appraisals. • When reviewing a significant acquisition opportunity during the year, a substantial proportion of the Board's appraisal focused on the impact of the proposed development on local heritage assets. The Board was keen to understand how those assets would be preserved and opened up to the public and how the views of the local community would be sought and incorporated into the masterplan. • At Bardon Hill, we completed the direct development of 332,000 sq. ft of Grade A industrial & logistics space, which achieved NZC in construction status. • At Waverley, construction began on a new 150-bedroom hotel, and planning permission has been granted for a new medical centre. These will be important community assets for residents and visitors to Waverley.

Customers

Why we engage	How we engage
As a master developer, we want to ensure there is long-term demand for our developments. Our principal customers are housebuilders, commercial developers and occupiers.	Engagement with housebuilders and commercial developers is predominantly transactional, although we maintain regular contact outside deal cycles to understand their needs and appetite for more land and development opportunities. We engage proactively with commercial occupiers to identify pre-let demands. Typically, day-to-day engagement with our existing tenants is via our managing agents who help identify where direct involvement and engagement from our investment team are needed.
Their key interests	**How do we respond? Examples of actions taken in 2022**
A collaborative and reciprocal relationship with Harworth in which they trust us to deliver a high-quality, sustainable product on time, and, for our tenants, a longer-term relationship in which they are treated fairly and their operational needs are understood and met.	By repositioning our Investment Portfolio to modern Grade A, we are providing our occupiers with a high-quality product. To support our sustainability aspirations, we have started working with some tenants directly, and others via our managing agents, to understand and identify the carbon emissions from their premises. In addition, all new tenants in 2022 were offered green leases. During this period of economic uncertainty, we continue to engage closely with our occupiers to ensure that payment terms support both parties.

Suppliers

Why we engage	How we engage
The successful and timely delivery of our sites depends on strong relationships with suppliers who are professional, trusted and share our values. Understanding their levels of, and approach to reducing, carbon emissions also supports the development of our own journey to NZC.	We apply a consistent "take-on" approval process for all suppliers and maintain regular communication. Whilst we operate a long list of approved suppliers, we usually engage small groups of trusted consultants and contractors on a repeat basis, fostering strong, long-term relationships.
Their key interests	**How do we respond? Examples of actions taken in 2022**
A long-term partnership with Harworth in which they are treated fairly, get good visibility of our future requirements, and receive timely payment, whilst contributing to Harworth's success.	During 2022, we undertook a detailed review of our procurement policies and processes, covering all forms of procurement at a corporate and project level. We identified a target operating model to which we are transitioning during 2023, which will further enhance development project procurement and broaden existing good practice to other forms of procurement.

Section 172 statement continued

Funders

Why we engage	How we engage
We need external capital to fund the Group's activities, long-term projects and efficient growth.	Ahead of refinancing our RCF in Q1 2022, we engaged extensively with existing and prospective funders. We welcomed HSBC to our group of senior lenders, alongside NatWest and Santander. In the ordinary course, we schedule relationship meetings with our senior lenders every six months but have a regular dialogue with them throughout the year. We engage proactively with prospective grant and debt funders of project specific activities, such as infrastructure and direct development. We meet public and private funding partners on a regular basis to explore partnership opportunities on one or more sites at a time. In May we launched our single family BTR portfolio, engaging with prospective partners to provide a unique forward funding and long-term investment opportunity.
Their key interests	**How do we respond? Examples of actions taken in 2022**
An open dialogue with regular updates and assurance about our operational and financial performance together with delivery against all our contractual obligations.	We worked with both of our incumbent lenders and HSBC to agree and put in place a new £200m RCF in Q1 2022. We secured grant funding at Chatterley Valley. Strong interest was expressed in our BTR portfolio as an attractive investment opportunity leading to engagement with potential investors. The prospect of establishing a long-term and strategic relationship with one or more investors was an important factor in our appraisal of options.

Government

Why we engage	How we engage
Harworth has an important part to play in supporting some of the Government's priorities over the coming years, both at a national and regional level, including in the areas of climate change, levelling up, and addressing the housing shortage.	We participate in central government consultation exercises on policy proposals both on our own account and through industry bodies such as the British Property Federation. We also engage informally on national initiatives such as the levelling up agenda and HS2, as well as on site-specific matters. We engage with local government, Combined Authorities, and Local Enterprise Partnerships ('LEP') when working collaboratively with officers and members from local planning authorities ahead of planning application submissions and on the discharge of planning conditions; bidding for grant or loan monies from local authorities and LEPs for infrastructure investment; and promotion of long-term strategic land projects with local authorities.
Their key interests	**How do we respond? Examples of actions taken in 2022**
Environmental, societal and economic priorities, both national and local, the achievement of which we can help support.	During the year, we engaged with the leaders and other senior officers of certain local authorities and Metro mayors to collaborate with them on the delivery of local priorities via our current and prospective projects. Housing shortages within local planning authorities and central and local government priorities for infrastructure investment continue to be important factors that inform our project appraisals.

Effectively managing our risk

Effective risk management is a key focus for the Board, and it directly informs our strategy. It helps us to create value and deliver positive outcomes for our stakeholders in support of our Purpose: to create sustainable places where people want to live and work.

In this section we explain how the Board has achieved assurance as to the effectiveness of Harworth's risk management and internal control system. We present our approach to risk and set out the Board's analysis of the Group's principal risks and uncertainties informed by our growth strategy.

Our risk management framework

Our approach to risk management centres on being clear about our risk appetite, appraising risk as a fundamental part of decision making and responding quickly to changes in our risk profile. We have clear roles and accountability in respect of risk management, as outlined below.

We recognise that not all risks can be eliminated, or sufficiently mitigated at an acceptable cost, and that there are some risks which, given the nature of Harworth's business and the track record and experience of the team, we are prepared to accept. Our focus is to ensure there is an awareness of risk throughout the organisation with an effective framework in place to respond effectively to changes in risk profile, whilst at the same time making the most of our opportunities. Our insurance programme also plays an important role where we are unable to eliminate certain risks.

Risk framework ▼ INFORMING ▲ REPORTING

The Board

The Board has overall responsibility for determining the risk appetite of the Group, for monitoring the risk profile of the business, and ensuring that measures and controls are in place to identify and manage risk effectively, with its focus being on principal and emerging risks.

Audit Committee

The Audit Committee supports the Board in the management of risk and is responsible for reviewing the appropriateness and effectiveness of risk management activities and internal control processes.

Group Leadership Committee ('GLC')

The GLC has responsibility for identifying operational risks, implementing and monitoring risk responses and ensuring the effectiveness of key controls. Each quarter, the profile of our principal and operational risks is reported to the GLC and a risk workshop is hosted to undertake a "deep dive" into one or more risks, led by the risk owners and champions.

Risk owners and champions

At an operational level, ownership of risks is assigned to members of the Senior Executive and managed on a day-to-day basis by risk champions from each function across the business. Central to monitoring the effectiveness of our risk management system is our Group Risk and Assurance Map ('GRAM'), see more on the following page.

Internal audit

The internal audit function acts as an independent and objective assurance function by evaluating the appropriateness and effectiveness of our risk management and internal control processes, through independent review, with a direct reporting line to the Audit Committee including regular contact with the Audit Committee Chair.

In 2022, as in previous years, the Audit Committee approved a programme of assurance activity for the year ahead, which was predominantly outsourced to KPMG.

The Committee also formed the view that the increase in pace, scale, and complexity of activity inherent in delivering the Group's strategy necessitated the establishment of an internally resourced internal audit function.

At the start of 2023, a new Head of Internal Audit joined the business, reporting to the Company Secretary and Audit Committee.

Effectively managing our risk continued

Group Risk and Assurance Map

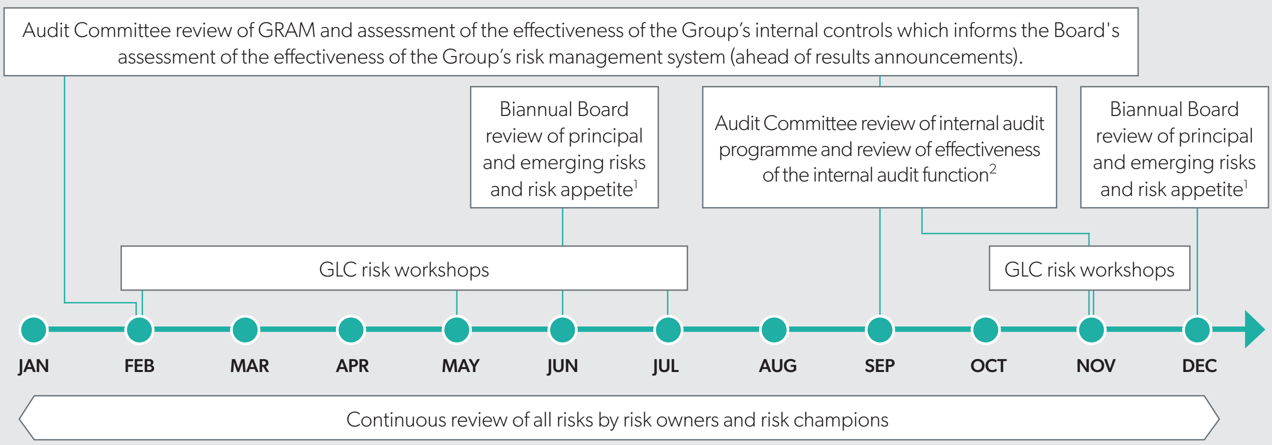
The GRAM is a "living" tool and reviewed by risk owners and champions (continuously), the GLC (quarterly), and the Audit Committee (biannually). The GRAM incorporates both the principal risks identified by the Board and the operational risks identified by the wider business. Each risk has its own risk and assurance map which details:

- the scope, and commentary on the status, of each risk;
- inherent risk, residual risk and risk appetite scores to evaluate the changing status of each risk;
- mitigation measures that have either been implemented, are in progress or planned;
- key risk indicators used to measure the profile of each risk;
- established Board assurance activity; and
- management's proposals for further assurance activity, which is used to put together a 36-month rolling internal audit programme (see page 111 of the Audit Committee report).

Following a detailed review undertaken by the Audit Committee ahead of publication of this report, the Board is confident that the Group's risk management and systems of internal controls, including all material financial, operational and compliance controls, are effective.

The full risk management system pursuant to which risks are monitored and managed throughout the year is summarised below.

Risk review framework: annual cycle



1 The profile of the principal risks is reported to the Board at each Board meeting, with the Board undertaking a detailed review biannually.

2 The Audit Committee receives an update from the Head of Internal Audit at each of its meetings, and internal audit reports are circulated to the Committee throughout the year.

Principal risks and uncertainties

The Board is responsible for identifying, setting the risk appetite for, and evaluating the Group's principal and emerging risks, being those risks that could threaten the delivery of our strategy, our business model, future performance, solvency or liquidity and/or reputation. Our principal and emerging risks are reported to the Board in dashboard format at each meeting, and the Board undertakes a detailed assessment every six months, the most recent being in January 2023.

In 2021, the Board identified through a series of workshops a refreshed set of principal risks, informed by the Company's new strategy developed that year. During 2022, the Board kept these principal risks under regular review, especially in the context of the war in Ukraine and the deteriorating macroeconomic and geopolitical climate, and resulting market conditions. At the time of writing, and looking ahead, the Board anticipates national and global economic uncertainty to remain elevated requiring it to continue to manage the Group's principal risks in an uncertain and changing environment.

Since reporting on our principal risks in the 2021 Annual Report, the following changes have been made:

- The residual risk status of our "residential and commercial markets" risk has increased from "medium" to "high", as anticipated in our interim results announcement, due to the uncertainty in the UK economy, with high inflation and rising interest rates impacting our core markets.
- The residual risk status of our "availability of capital" risk has increased from "low" to "medium", reflecting the potential requirement in the medium term to raise capital to support acceleration in pipeline delivery or a major acquisition not contemplated within the Strategic Plan.
- The "climate change" risk category has been updated to "sustainability" to reflect better Harworth's evolving Sustainability Framework. Within this category, the "managing climate change transition" principal risk has been reformulated to focus on our "NZC pathway" as a principal risk.
- The "resourcing" principal risk has been replaced by "organisational development and design". As adequate resource has been added over the last two years, our focus is on evolving our culture, capability, values, behaviours, processes and ways of working to drive continued excellence in the organisation as we execute our growth strategy.

In addition to the above changes:

- The planning risk profile of individual projects differs, but overall, the residual risk status of our "planning" risk remains "high" reflecting both short-term and long-term headwinds. Emerging planning policy, principally in the form of proposed changes to the National Planning Policy Framework ('NPPF'), which, amongst other things, proposes the removal of housing targets, will make our planning promotion activity more challenging. In the short term, the technical planning risk and delays we already experience, due to stretched Local Planning Authority resource, are also heightened, in part due to the continued impact of the impending changes to the NPPF, upcoming local elections, and the momentum that will build as we go through 2023 to a general election.
- There have been limited signs of distress in our construction supply chain to date, notwithstanding the macroeconomic climate, but we are monitoring our "supply chain counterparty risk" very closely.
- There are indications of stabilisation in supply chain cost inflation and forecasts suggest the inflation rate will decline materially over the course of 2023, which may mean that the residual risk status of our "supply chain cost inflation and constraints" risk trends down from "medium" to "low".
- Statutory costs of development are trending upwards, with the introduction of the Building Safety levy and proposals for an infrastructure levy. However, the Residential Property Development Tax has had a limited impact on project and Group financial outcomes and performance to date. This risk retains a "medium" risk status.

Effectively managing our risk continued

The risk heat map below illustrates the current status of our principal risks before and after mitigating actions.

Principal risks

Acquisitions

1. Availability of and competition for strategic sites

Project Delivery

2. Planning
3. Supply chain cost inflation and constraints
4. Supply chain and delivery partner management (counter-party risk)
5. Statutory costs of development

Markets

6. Residential and commercial markets

People

7. Organisational development and design

Finance

8. Availability of appropriate capital

Safety and Compliance

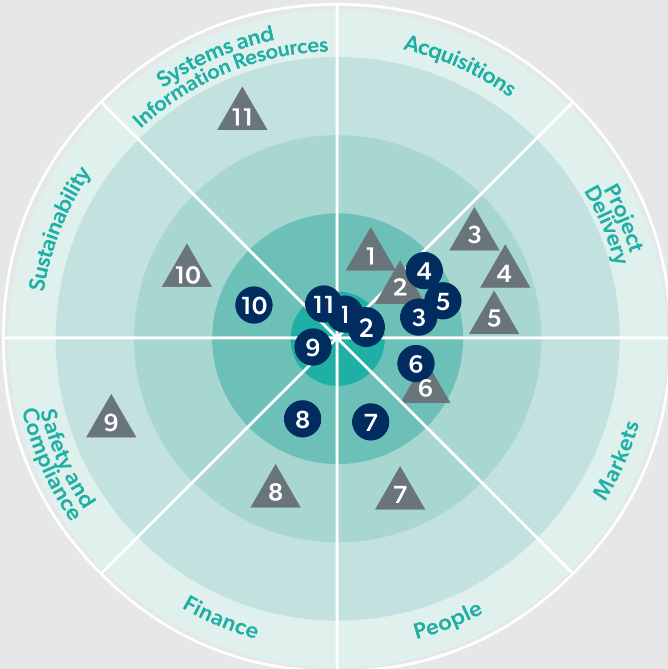
9. Health and safety

Sustainability

10. NZC pathway

Systems and Information Resources

11. Cyber security



- Very high
- High
- Medium
- Low
- Very low
- Inherent risk (before mitigating actions)
- Residual risk (after mitigating actions)

See our **principal risks tables** on the following pages for how we report on and mitigate our current and emerging principal risks

A detailed analysis of each principal risk is set out on the following pages, explaining our key risk mitigation actions, further measures planned for the upcoming year, any changes in residual risk status in the year and how each risk relates to our strategic pillars (using the key below).

Key to strategic links

- **1** Increasing direct development of industrial & logistics stock
- **2** Accelerating sales and broadening the range of our residential products
- **3** Growing our strategic land portfolio and land promotion activities
- **4** Repositioning our Investment Portfolio to modern Grade A
- **H** The Harworth Way
- **£** Group Targets

Key to change in residual risk in the year

- No change
- Increase
- Decrease

Risk 1	Commentary
Availability of and competition for strategic sites Current risk	Competition for acquisitions remains a key risk as acquiring new sites is fundamental to maintaining target returns and driving growth consistent with our strategy. That said, our existing pipeline of industrial & logistics and residential land provides a significant buffer, which means we can be more considered if hurdle return aspirations cannot be met in the current market, and we secured a range of opportunities in 2022 including two substantial industrial & logistics sites placed under option. The year ahead could increase opportunities to acquire land if distressed sales come to market and/or competitors take a more cautious approach to acquisitions. The residual risk profile for this risk could, therefore, reduce during 2023.

Description	Mitigation	Additional measures planned for 2023
Failure to acquire strategic land at appropriate prices due to constrained supply or competition.	• Extensive external stakeholder engagement to identify opportunities supported by internal co-ordination via regular internal acquisitions meetings. • Customer Relationship Management ('CRM') system, which has been designed to help monitor our target acquisitions pipeline, and support the coordination of our engagement with stakeholders. • We seek input from our valuers prior to making major acquisitions to ensure we understand the latest market pricing. • Via our portfolio strategy, we manage the timing of acquisitions. • The review of project plans for each site helps highlight further acquisition opportunities. • We have continued to recruit additional acquisitions resource.	• Leveraging better our relationships with local authorities and agents. • Retrospective analysis of unsuccessful bids. **Current residual risk status** HIGH **Change in residual risk in the year** **Link to strategy** 3 £

Effectively managing our risk continued

Risk 2	Commentary
Planning Current and emerging risk	Whilst changes (or proposed changes) in planning legislation and policy are not uncommon, emerging planning policy principally in the form of proposed changes to the NPPF poses long-term headwinds for planning promotion if they remain as stated, particularly of large residential sites and development in the greenbelt. If implemented, the removal of housing supply targets will likely mean that securing residential development allocations in local plans, particularly in the greenbelt, becomes increasingly difficult and bringing those sites through the planning system takes longer. In the shorter term, the government's proposals for changes to the NPPF have encouraged some Local Planning Authorities to delay the adoption of their local development plans. This exacerbates the challenges and delays we already experience due to stretched Local Planning Authority resource. We anticipate an uncertain political backdrop as the next general election approaches, both at a central and local Government level, which could create persistent headwinds when it comes to making significant progress on promoting and delivering large sites over the next two years. Nevertheless, Harworth remains well positioned with our large strategic landbank, our track record for deliverability and ability to acquire good strategic residential and employment sites for which there is a strong demand. This, combined with the increased resources and planning expertise within the business, gives us confidence that we can adapt successfully to planning policy changes.

Description	Mitigation	Additional measures planned for 2023
Planning promotion risk including uncertainty around local and national changes to planning regime with potential for adverse effect on promotion activity.	• We regularly review greenbelt exposure at a portfolio level. • Through key stakeholder groups, we respond to emerging planning policy. • Stakeholder mapping is undertaken at a project level. • Local political advisers are appointed on individual sites, where appropriate. • Strong relationships with local planning authorities and key local stakeholders. • Implementation of the CRM system. • We have continued to recruit additional internal planning resource. • Transaction approval papers include detailed planning strategies.	• Leveraging relationships with local authorities. • Strategic planning for development of relationships with senior political stakeholders. **Current residual risk status** HIGH **Change in residual risk in the year** **Link to strategy** 1 2 3 £

Risk 3	Commentary
Supply chain cost inflation and constraints Current risk	Both we, and our customers, have been experiencing supply chain challenges including shortages of, and cost increases to, raw materials, plant and labour. However, as development activity likely slows down during 2023, these supply chain pressures should also recede. We are seeing signs of stabilisation in cost inflation, though not across all sectors and skilled labour shortages remain particularly stubborn. Whilst this risk may trend down to "low" during 2023, it retains a "medium" status at this point, reflecting continued difficulty in agreeing fixed prices with some contractors who are still not prepared to accept cost inflation risk; more heavily negotiated contracts, particularly around the transfer of risk; readiness of contractors to operate more sustainably; and continued volatility in energy prices. Our cost plans are monitored closely, updated in valuations and adjustments made regularly to reflect market movements.

Description	Mitigation	Additional measures planned for 2023
Supply chain pricing pressures and constraints (affecting labour, plant and raw materials) resulting in development cost increases, increases to forward cost plans, and potential project delivery delays.	• Our procurement approach is considered early in project planning. • We undertake rigorous tender processes. • We have established a suite of legal precedents to promote consistency in land remediation and direct development procurement. • We utilise market intelligence regarding contractors' commitments and workload. • We have continued to recruit additional direct development and technical resource.	• Ongoing procurement review, as a result of which we have identified improvements in our operating model for implementation during 2023. **Current residual risk status** MEDIUM **Change in residual risk in the year** **Link to strategy** 1 2 £

Risk 4	Commentary
Supply chain and delivery partner management (counter-party risk) Current risk	A subdued and volatile economic climate increases the risk of insolvencies in the supply chain. Whilst there is an increased occurrence of contractor insolvency in the construction market the impact on our projects has been limited to date. Whilst a recession is forecast, it is currently expected to be shallow and relatively short-lived. In 2023 our development activity will increase, as programmed pre-let and build-to-suit direct development is undertaken and BTR project delivery commences, resulting in our being more exposed to supplier/delivery partner failure. This trend will continue as Harworth grows, increases direct development, and enters new markets for residential products. Our need to select and manage counterparties effectively is growing and we will monitor this risk very closely.

Description	Mitigation	Additional measures planned for 2023
Increase in exposure to supply chain, delivery and investment partners leading to increased risk of disputes with and/or default by and/or insolvency of counterparties.	• Our procurement approach is considered early in project planning. • A consistent process is followed for selecting and "onboarding" counterparties. • We have established a suite of legal precedents to promote consistency in land remediation and direct development procurement. • Our central technical team monitors contractor "concentration risk" and financial health, and promotes consistencies and knowledge-sharing across our portfolio. • Use of our CRM system. • External review of contractor insurance packages for every direct development project.	Ongoing procurement review, as a result of which we have identified improvements in our operating model for implementation during 2023. **Current residual risk status** MEDIUM **Change in residual risk in the year** **Link to strategy** 1 2 H £

Effectively managing our risk continued

Risk 5	Commentary	
Statutory costs of development Current and emerging risk	The Board is focused on legislative changes that act as a further cost on development as it is settled government policy to increase public financial gain by taking a larger proportion of land value uplift derived from planning consents. In short succession there have been the introduction of two new measures designed to fund cladding repairs on high-rise residential buildings: the residential property developer tax and the building safety levy expected to be implemented in 2023, albeit the former has had a limited impact on project outcomes and Group performance. On the horizon is the infrastructure levy as part of planning reforms to be implemented via the Levelling Up and Regeneration Bill.	
Description	**Mitigation**	**Additional measures planned for 2023**
Legislative reforms which do, or may, impose a tax or levy on development, or have the effect of levying an additional cost on development.	• Enhanced horizon scanning regime. • Sensitivity to additional statutory costs modelled when assessing acquisitions. • Through key stakeholder groups, we respond to emerging policy.	None planned. **Current residual risk status** MEDIUM **Change in residual risk in the year** ▶ **Link to strategy** 2 3 £

Risk 6	Commentary	
Residential and commercial markets Current risk	The residential and industrial & logistics markets were volatile throughout 2022 as a result of macroeconomic, political and geopolitical factors. It was largely a "tale of two halves": whilst H1 2022 valuations had strong growth, H2 was categorised by unpredictability and a marked downward trend in industrial & logistics, initially in market sentiment followed by some transactional evidence of a downturn in that sector. In October 2022, the Board concluded that the residual risk status of this risk had moved from "medium" to "high" given indications of a slowing residential market and material yield shifts affecting both prime and secondary industrial & logistics assets. Despite Harworth's resilient business model and through-the-cycle approach, it is not immune to shifts in the market. Substantial uncertainty prevails although current forecasts suggest the commercial property market will experience a faster recovery than the residential market, which is more susceptible to further adverse market movements. However, the structural undersupply in both of our core markets, constraints of available consented land, and our ability to create value through our management actions will continue to mitigate some of the impact and encourage long-term stability.	
Description	**Mitigation**	**Additional measures planned for 2023**
Downturn in industrial & logistics and/or residential market conditions leading to falls in property values.	• Regular feedback is received from advisers on the status of residential and industrial & logistics markets in our core regions to supplement generic market commentary. • During 2022 we took advantage of favourable market conditions by accelerating residential sales. • Regular review (biannual) of project plans for each site by the Investment Committee, which is heavily informed by prevailing market conditions. • Management actions to drive value.	Pursuant to our strategy, but considering the current market, we continue to pursue mixed tenure strategies and do not intend to start any new speculative direct development projects this year instead focusing on land sales, pre-let and build-to-suit opportunities. **Current residual risk status** HIGH **Change in residual risk in the year** ▲ **Link to strategy** 1 2 4 £

Risk 7	Commentary
Organisational development and design Current risk	Harworth has experienced a period of rapid growth with a significant increase in the number of employees. The Board recognises that a structured change management approach to both organisational development (the "informal" elements of behaviour, values and culture) and organisational design (the "formal" elements of operation and governance) is critical as the Group continues to evolve and grow over the long term.

Description	Mitigation	Additional measures planned for 2023
Misalignment of culture, capability, values, behaviours, formal processes, systems and/or controls with what the business requires to deliver the strategy.	• Appointment of Group Resources and Transformation Director. • Implementation of people strategy to complement our business strategy, focusing on the number and nature of resources required to fill skills gaps as well as volume gaps. • Better alignment of Group and personal objectives with delivery of strategy. • Launch of a new Leadership Development Programme.	Implementation of "People and Enabling Excellence Strategy". **Current residual risk status** MEDIUM **Change in residual risk in the year** NEW RISK **Link to strategy** 1 2 3 4 H

Risk 8	Commentary
Availability of appropriate capital Current and emerging risk	There is a need to match capital to the operational and project specific needs of the business, accommodating the increase in pace and scale of activity under our strategy. In early 2022 we entered into a new senior debt facility comprising a five-year £200m RCF together with a £40m accordion facility. This RCF, supplemented by project-specific funding where appropriate, supports the funding needs of the business. Our net debt at the end of 2022 was low and is forecast to remain relatively modest during 2023 and we retain headroom in all covenants. However, to leverage our growing development pipeline we will need to make full use of our debt finance capacity. The Board recognises it could be challenging, given current market uncertainty, to raise additional equity to fund accelerated development in addition to the Strategic Plan or a major acquisition. Whilst this is not a short-term risk, work will commence this year to explore wider potential funding options, prompting the Board to conclude that the residual risk status of this risk has moved from "low" to "medium".

Description	Mitigation	Additional measures planned for 2023
Inability to access appropriate equity and/or debt funding to support the strategy.	• Regular review of financing strategy to complement our business strategy, supported by external consultants where required. • In early 2022, we signed a new RCF comprising a five-year £200m revolving credit facility together with a £40m accordion facility. • This is supplemented by accessing project specific funding where relevant. • We continue to pursue and unlock grant funding. • Appointment of Financial Planning and Treasury Manager contributing to improved longer-term financial forecasting.	• Continue to identify scheme specific and grant funding. • An updated review of capital structure funding options. **Current residual risk status** MEDIUM **Change in residual risk in the year** **Link to strategy** 1 2 3 4 £

Effectively managing our risk continued

Risk 9	Commentary
Health and safety Current risk	The health, safety and welfare of people involved in or affected by Harworth's activities are of prime importance. This risk ranges from the health and safety of visitors and workers on our sites, and trespassers (given the nature of our sites), through to the health and safety of employees and visitors in an office environment. Full compliance with all relevant legislation is the minimum acceptable standard but we and our partners aim to achieve the highest possible standards of good practice.

Description	Mitigation	Additional measures planned for 2023
Incident causing injury and/or death resulting in liability, penalties and/or reputational damage.	• Appropriate policies are in place, including a Safety, Health and Environmental Management System ('SHEMS') Policy and an Employee Health and Safety Policy. • We have a Risk and Compliance ('R&C') function with a focused remit on health and safety and environmental policy and assurance. • The R&C team undertakes a rigorous site inspection regime. It monitors and reports on the risk status of each of our sites via a cloud-based health, safety and environment management platform. • We have a panel of health and safety consultants who support our project delivery. • Health, safety and environment management meetings are held quarterly and attended by senior management and representatives from all operational divisions. • We host compulsory health and safety training for all employees every two years, supplemented by an annual schedule of mandatory online learning. • We have a programme of health and wellbeing initiatives for employees, including access to internal physical and mental health first aiders and an external Employee Assistance Programme.	• Review the effectiveness of our health and safety consultant panel arrangements. • Review Employee Health and Safety policy. • Further improvements to health and safety reporting supported by the new cloud-based platform. **Current residual risk status** LOW **Change in residual risk in the year** **Link to strategy**

Risk 10 | **Commentary**

Net Zero Carbon ('NZC') pathway

Current and emerging risk

The NZC agenda means transformational change for all businesses. It has a wide-ranging impact on the Group, from our investment case to shareholders, through to operational activity, including the need to embed NZC principles into all projects, whilst remaining profitable. It also embraces external factors such as industry and stakeholder metrics and the approach taken by Local and Combined Authorities on e.g. carbon tax, biodiversity net gain and social value measures. Following the appointment of our Director of Sustainability in H1 2022, we focused on developing The Harworth Way, which is the Group's continually evolving Sustainability Framework, and developing our NZC Pathway. The NZC Pathway Report has been published alongside this Annual Report and is available on our website.

Description

Failure to develop, manage and meet our NZC commitments and/or NZC regulations, resulting in financial loss, reduced investment and reputational damage.

Mitigation

- Development of The Harworth Way and NZC Pathway with targets identified (see pages 64 to 77).
- Appointment of a Director of Sustainability and wider sustainability team.
- We have an ESG Board Committee (see pages 113 to 114) to oversee formulation and delivery of our Sustainability Framework, target-setting and reporting.
- We appointed a new Non-Executive Director to the Board, Marzia Zafar, with a strong background in sustainability.
- All buildings delivered in 2022 were NZC in operation ready, mitigating future Scope 3 emissions.
- Continued transition of our Investment Portfolio to 100% modern Grade A by 2027.
- Development of an Energy and Natural Capital strategy, which includes a review of opportunities for carbon sequestration, bio-diversity net gain, carbon trading and use of renewable energy.
- We are a member of the UK Green Building Council, which facilitates sharing of knowledge and best practice.

Additional measures planned for 2023

- Embed fully environmental analysis into our project appraisals and approvals process.
- Continue to improve the capture and analysis of environmental data (including from supply chain and occupiers).
- Develop a carbon accounting system, including appropriate accreditation.
- Continued development of Harworth's commercial and residential building specifications.

Current residual risk status

MEDIUM

Change in residual risk in the year

Link to strategy

1 2 4 H £

Risk 11 | **Commentary**

Cyber security

Current risk

Cyber-attacks pose a continually evolving threat to all businesses and Harworth, like all others, is at risk of regular attacks. Strategic and technical measures are in place to monitor and mitigate this risk. In H2 2022, we undertook our biennial penetration test, which found Harworth to be in a strong position with no major cause for concern.

Description

Successful cyber-attack jeopardising business continuity.

Mitigation

- Our IT Disaster Recovery Plan has been incorporated into an updated Business Continuity Plan.
- We have an external provider for IT support, which remains vigilant to the evolving cyber security backdrop and an outsourced Information Security manager.
- We take out cyber risk insurance.
- We undertake biennial penetration testing, supported by regular phishing simulations and continuous IT system vulnerability scanning.
- We have a rolling cyber and information security awareness programme for all employees.

Additional measures planned for 2023

Desktop test of updated Business Continuity Plan.

Current residual risk status

LOW

Change in residual risk in the year

Link to strategy

H

Task Force on Climate-Related Financial Disclosures

Harworth is committed to implementing the recommendations of the Task Force on Climate-Related Financial Disclosures ('TCFD'). The TCFD aims to provide investors and other stakeholders with useful information on climate-related risks and opportunities that are relevant to our business. Below we have provided more detail on how we align with these recommendations.

In this context, we have considered our "comply or explain" obligation under the Financial Conduct Authority's Listing Rules, and confirm that we have made disclosures consistent with the TCFD Recommendations and Recommended Disclosures in this Annual Report, save for certain items, which are summarised below:

- **Strategy:** We currently have a limited quantitative assessment of the impact on our financial planning and performance of the short-, medium- and long-term risks and opportunities that we have identified in our 2°C and 4°C scenarios. This is due to data limitations, which we expect to be addressed in the near term as Harworth invests in systems and resourcing to capture more data.
- **Metrics & Targets:** Significant progress has been made over the year in measuring our Scope 3 greenhouse gas emissions. However, many categories of Scope 3 emissions rely on the disclosure of data to us by suppliers and customers and there remains some work to be done over the course of 2023 to enable us to report a full and accurate data set. Harworth has invested in systems and resourcing, and is engaging with stakeholders, to ensure all categories of Scope 3 emissions are reported in our 2023 Annual Report.

Further information on The Harworth Way and the Group's NZC pathway an be found on pages 67 to 69 of this Annual Report, and Harworth's standalone NZC Pathway Report, which has been published at the same time and is available on our website. Greenhouse Gas ('GHG') emissions data can be found in our Streamlined Energy & Carbon Reporting ('SECR') disclosure on pages 62 to 63.

Governance

Board oversight of climate-related risks and opportunities

The Chief Executive has overall responsibility for climate-related risks and opportunities. The Board is updated regularly on our sustainability and climate-related performance and has overall accountability for and oversight of risk, undertaking a biannual assessment of the principal risks, which include climate-related risks. After each meeting of the ESG Committee, the Committee Chair provides an update to the Board on sustainability progress. The Board assesses the climate-related risks and opportunities inherent in material projects, as part of the Board project appraisal process. In 2022, the project appraisal framework was extended to understanding the embodied and operational carbon content of direct development projects, in line with the UK Green Building Council Net Zero Carbon Buildings Framework. The Board also considers climate-related risks and impacts when assessing business plans, major capital expenditures, acquisitions and sales.

Climate-related opportunities and risks were considered as part of the Board's strategy day that took place during the year. In particular, the Board reviewed the role of our Natural Resources portfolio to determine how best to protect and optimise value, while maximising the role these assets can play in realising the Group's sustainability ambitions, particularly with regards to meeting energy demand, delivering biodiversity net gain and carbon offsetting.

Ongoing oversight of climate-related issues is carried out by our ESG Committee, chaired by Angela Bromfield and comprising the Chair of the Board, Chief Executive, Chief Financial Officer and Non-Executive Directors Martyn Bowes and Marzia Zafar (who joined the Committee during the year) and attended by our Director of Sustainability.

The Committee meets at least quarterly and is the senior forum for oversight of the development and implementation of the Company's sustainability strategy and commitments. The ESG Committee supports the Board in the assessment and management of climate risk.

The ESG Committee is responsible for overseeing the setting of Harworth's ESG targets and the Company's progress towards meeting them, and has oversight of its NZC pathway. It monitors external climate-related issues and emerging policy and best practice through regular updates from the Director of Sustainability and this guides its decisions in formulating strategy and ongoing risk management. During the year, the ESG Committee reviewed and recommended for approval to the Remuneration Committee those ESG metrics and targets to be incorporated into the annual bonus Group targets for all employees.

Management's role in assessing and managing climate-related risks and opportunities

The ESG Committee is supported by Harworth's three-person sustainability team, which was established during the year following the appointment of Peter Henry as Director of Sustainability, reporting directly to the Chief Executive. The sustainability team works with members of the Senior Executive and representatives from teams across the business, including the regional delivery teams, finance, HR, asset management, and central services, to share knowledge, develop policies and guidance and consider how best to address climate-related issues in our operations. It then reports progress and proposes policies and actions to the ESG Committee.

For our three identified Group climate-related risks outlined on the following page we have allocated a risk owner and risk champions who monitor climate-related risks at portfolio level and brief the Senior Executive on material movements in risk profile.

Risk	Risk owner	Risk champions
Net Zero Carbon pathway	Chief Financial Officer	Director of Sustainability
Climate change and biodiversity adaptation and resilience	Chief Financial Officer	Director of Sustainability Director of Technical, Engineering & Delivery Head of Risk & Compliance Director of Asset Management
Creating sustainable communities	Chief Financial Officer	Director of Sustainability Director of Technical, Engineering & Delivery Director of Asset Management

We consider stakeholder impact in our project appraisals, and all business cases must factor in the environmental and societal impact of each project. Currently these are largely qualitative assessments, but it is our intention to increase over time our quantitative measurement of impact in our project appraisals, budgeting and forecasting.

The management team engages with several external bodies, including the UN Global Compact, UK Green Building Council, the British Property Federation and the Construction Industry Research and Information Association, as well as local authorities, to enhance its understanding and management of climate change risk and opportunities. The team monitors external climate-related issues and emerging policy and best practice, including in a horizon scanning regime led by our legal team, with support from our legal panel firms.

Strategy

Overview of climate-related risks and opportunities

We consider our relevant time horizons to be short-term (to 2027), medium-term (2028–2040); and long-term (2040–2060). Our short-term time horizon is aligned to our growth strategy outlined in September 2021 to become a £1bn business by 2027. Our medium-term time horizon corresponds to approximate development timelines for the majority of our current major development and strategic land sites.

Our assessment of climate risks and opportunities in the short-, medium- and long-term assumes a scenario in which global temperature rise is limited to 2°C by 2100 (aligned to Representative Concentration Pathway ('RCP') 2.6 as outlined by the Intergovernmental Panel on Climate Change ('IPCC')), but we have also considered the impact of a 4°C (RCP 8.5) scenario on the risks and opportunities outlined in this report. The table below shows our main assumptions relating to the UK under each scenario, using forecasts from the Climate Change Committee.

In identifying the risks and opportunities outlined in this section and their impact on our financial planning and performance, we have considered the likelihood of the risk based on current and forecast market data and trends, and the potential impact based on the type and condition of our portfolio assets and their location. We have also considered the mitigation measures that we currently and could potentially implement, which have informed our risk assessment outlined on page 53. Together, these factors determine the prioritisation of individual risks and opportunities in our asset and group-level financial planning.

Harworth's assumptions for UK	2°C scenario	4°C scenario
Transition approach	The UK and other nations largely meet their currently pledged decarbonisation commitments, and Harworth follows its NZC pathway	The UK and other nations take only very limited steps to meet their currently pledged decarbonisation commitments, but Harworth still follows its NZC pathway
Physical impacts by c.2050	• Annual average temperatures: +0.6°C from present • Mean sea level rise: +3cm to +37cm from present • Heavy rainfall: +10% increase from present • Heatwaves 'like 2018 summer (the joint hottest on record)': 50% chance each year	

Task Force on Climate-Related Financial Disclosures
continued

Harworth's assumptions for UK	2°C scenario	4°C scenario
Physical impacts by c.2100	• Annual average temperatures: +0.7°C from present • Mean sea level rise: +5cm to +67cm from present • Heavy rainfall: +20% increase from present • UK heatwaves 'like summer 2018': 50% chance each year	• Annual average temperatures: +3.0°C from present • Mean sea level rise: +27cm to +112cm from present • Heavy rainfall: +50% to +70% increase from present • UK heatwaves 'like summer 2018': 90% chance each year

Short-term risks (to 2027)

2°C scenario

Risk	Impact on business, strategy and financial planning
Transition risks	
Policy & Legal: Minimum Energy Efficiency Standards ('MEES') and the introduction of "energy in-use" performance ratings could result in increased costs, a loss of rental income and valuation declines if our Investment Portfolio assets do not meet minimum standards.	We plan to transition our Investment Portfolio to Grade A by 2027. As part of this, we will develop a NZC pathway for every asset that we own. A workstream reviewing Energy Performance Certificates ('EPCs') and potential impact of MEES is underway.
Policy & Legal: Increased one-off and operating costs across our major development sites arising from regulation in areas such as green energy procurement, EV charging point installation and biodiversity offsetting.	Our developments already often exceed minimum building regulations and emphasise high-quality placemaking. We believe this approach improves the sustainability of our assets, and this is reflected in their valuation and rental profile. We are also reviewing our energy tariffs, which should provide an opportunity to lower our Scope 2 emissions.
Market: An increase in energy efficiency specifications expected by occupiers and home buyers would require additional expenditure on development and fit-out, which could depress land values.	We work with our suppliers and housebuilder partners to deliver high-quality products, which already exceed market expectations, and have developed a commercial building specification to improve environmental performance. This should be reflected in the valuation, pricing and rental profile of our land and assets.
Market: The introduction of carbon pricing on high emission material and activities, and premiums for and/or availability of lower carbon alternatives could impact the costs of procuring raw materials for our supply chain and in remediating and preparing land across our sites.	Our procurement approach and costs associated with remediation and preparation are considered early in project planning, and we undertake rigorous tender processes. We conduct ongoing monitoring of material costs and use technical resource to mitigate any impact of rising prices. We have also implemented target emissions for our commercial buildings.
Reputation: Investor and other stakeholder requirements in respect of sustainability performance increase, creating a risk of reputational damage where expectations are not met, and impacting our ability to raise capital or create new partnerships.	This year Harworth has further enhanced its environmental reporting, provided new metrics and targets and outlined a NZC pathway. We are engaging closely with investors, other stakeholders and industry bodies to ensure our environmental reporting continues to evolve and meet expectations.
Physical risks	
Some increases in the incidence of acute physical risks, such as heatwaves, storms, and flooding, could result in increased costs to create, repair, replace and future-proof infrastructure across our major development sites and buildings in our Investment Portfolio.	Resilience is already factored into our development design, for example through developing sustainable urban drainage systems ('SUDS') and sustainable cooling and heating systems for industrial units. We maintain a flood risk register for all sites and undertake a flood risk assessment as part of the planning and design process.

Impact of a 4°C scenario

Short-term transition and physical risks would be largely unchanged from the 2°C scenario.

Short-term opportunities (to 2027)

2°C scenario

Opportunities	Impact on business, strategy and financial planning
Products & services: Through increasing direct development and transitioning our Investment Portfolio to Grade A, we can provide market-leading industrial & logistics space with a high environmental specification.	Grade A assets would be expected to be in higher demand from occupiers, and, therefore, generate higher rental income and valuations. Increasingly Harworth will design buildings to be NZC in operation and construction, as best practice continues to evolve.
Resilience: Our commercial building specification for new direct development will deliver future-proofed assets that require less maintenance and transition costs in the future. Across our sites we promote public transport use, create cycle paths and walkways, undertake biodiversity improvements and use SUDS to mitigate flood risk.	An environmental appraisal is integrated into all site decision making, and we engage with stakeholders to ensure best practice and to identify new opportunities. This improves the desirability of our sites, driving land values higher.
Resilience: By accelerating the transition to low carbon energy generation and storage across our developments, we can improve energy security and mitigate the impact of energy price rises and volatility, as experienced during 2022.	The formation of our Energy & Natural Capital strategy was underway before the energy price volatility experienced in 2022, but its emergence has served to underline the importance of leveraging energy generation and storage opportunities across our portfolio. An initial review of the portfolio is currently underway to identify these opportunities.
Energy efficiency: Reducing energy consumption through low carbon transport, encouraging flexible working and energy-saving measures such as timed and LED lighting.	As part of our NZC pathway, we are introducing several measures to improve energy efficiency, which will reduce costs and improve staff productivity.
Energy source: Our portfolio is well-placed to meet increased demand for land for renewable energy schemes and offsetting, particularly on parts of our sites where other types of development would not be viable. The scale of our sites means it is often easier and more cost effective to implement on-site renewable energy generation than in other settings where space is more constrained, such as urban areas.	As part of our Energy & Natural Capital strategy, the role of our Natural Resources team has evolved to support all areas of the business in identifying opportunities to introduce energy generation and storage into our schemes, providing additional revenue streams and an opportunity to offset emissions from within our portfolio.

Impact of a 4°C scenario

Short-term opportunities would be largely unchanged from the 2°C scenario.

Task Force on Climate-Related Financial Disclosures
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Medium-term risks (2028–2040)

2°C scenario

Transition risks will continue and intensify, with stricter regulation on energy efficiency and planning, potentially with a greater focus on the retrofitting and future-proofing of older assets, which may increase the costs of direct development and those borne by our housebuilder customers. Occupier expectations of sustainability will also increase, particularly amongst small and medium-sized businesses, which may not have previously had the resources, financial capacity, or regulatory requirement to focus on this issue. Infrastructure obsolescence due to changes in demand for climate-resilient technologies could result in shorter asset lifecycles and impose additional costs on the business. Harworth will mitigate the impact of these changes through the transition of our Investment Portfolio to modern Grade A, and our commitment to be NZC in operation and construction on commercial developments by 2030.

The development of carbon pricing may increase the costs of remediating and preparing strategic land sites, impacting the viability or profitability of progressing some sites through the planning system, and, therefore, the valuation of our land bank.

Investors will become less tolerant of environmental underperformance as they face pressure to decarbonise their own portfolios to achieve NZC goals. Harworth's response to this risk is to ensure our environmental performance improves through our decarbonisation strategy, and that our disclosures evolve in line with best practice.

Additional physical risks may emerge, with slight rises in river peak flows and associated flood losses. Summers will become warmer with an increased risk of heat stress, leading to minor increases in the cost of cooling buildings and adaptation measures at our sites to protect those most vulnerable.

Impact of a 4°C scenario

Under this scenario, the physical risks outlined in the 2°C scenario may intensify further and become more frequent, increasing the speed of infrastructure obsolescence and the cost of adaptation measures.

Medium-term opportunities (2028–2040)

2°C scenario

Opportunities may arise from cheaper and more effective technologies to achieve energy efficiency, allowing Harworth to generate more of its operating energy from on-site renewables. There is also likely to be a greater promotion of public transport, for example bringing old railway lines back into use with new low carbon and automated transport technologies. Harworth's status as master developer will allow us to include these features in our sites and mitigate challenges from the outset. This will benefit the connectivity and land value of our sites, many of which have former railway sidings and lie adjacent to major road networks. There may also be greater demand for land used for offsetting, as buyers approach their own NZC deadlines, which would provide additional opportunities for our significant landbank and natural resources portfolio. Harworth has an advantage in being a master developer, as this allows us to mitigate challenges through our own site planning and design.

Impact of a 4°C scenario

Under this scenario, demand for adaptation measures, low carbon transport and land for offsetting are all likely to decrease owing to less focus on climate transition risks. This lower demand would be reflected in the valuation of Harworth sites. There may be less opportunities to achieve energy efficiencies and cost savings through new technologies than under a 2°C scenario as it is assumed there would be less investment and incentives to encourage the development of these technologies.

Long-term risks (2040–2060)

2°C scenario

The prevalence of physical risks is likely to be higher. These could include material increases in the frequency of acute risks such as flooding, particularly in low-lying areas of Yorkshire & the Humber, such as Doncaster. This could lead to significant decreases in land values and increased costs of repairs, mitigation measures and insurance premiums at these sites. Chronic risks such as hotter summers will also mean increased energy consumption in our buildings and maintenance costs, due to increased demand from occupiers for air cooling technologies, and adaptation measures to ensure adequate rainwater collection and storage at our sites. There is also the potential for fundamental changes in construction methods and materials, that could increase building costs and thereby depress land values.

Transition risks will also intensify, with even higher environmental specifications for industrial & logistics assets and housing. The expectations of investors and other stakeholders with regards to environmental performance will increase further, particularly as 2050 decarbonisation targets expire.

Impact of a 4°C scenario

Physical risks could be significantly higher. The Met Office's UK Climate Projections 2018 predict that UK sea levels could rise by over a metre by 2100 in this scenario, which could significantly increase flooding risk in low lying parts of Yorkshire & the Humber, such as Doncaster. Average summer temperatures for the Yorkshire & Humber, North West and East Midlands regions are likely to rise on average by over 3°C by 2100 under this scenario, which could lead to increased costs in cooling and repairing buildings, and those costs arising sooner than under a 2°C scenario. These increased physical risks could have significant impacts on the economy in general, leading to lower levels of economic output and higher unemployment, impacting demand for our sites and our ability to raise finance.

Long-term opportunities (2040–2060)

Access to secure and sustainable sources of energy and water, and reliable transport and communications infrastructure will become critical for ensuring the resilience of residential and industrial & logistics developments. Harworth's expertise in future-proofing and resilience in the design of its developments will allow us to be at the forefront of these needs, making our sites more attractive. There is also the potential for technological advances to make future-proofing of buildings more cost effective, thereby reducing the costs of adaption.

Impact of a 4°C scenario

As physical risks could be significantly higher, the demand for future-proofing and resilience in the design of developments is likely to be greater, meaning we could realise land value increases sooner than in a 2°C scenario.

Risk management

Identifying and assessing portfolio-level risk

The Board reviews the Group's principal and emerging risks formally at the half-year and year-end, and monitors the profile of these risks throughout the year. 'Net Zero Carbon pathway' is considered by the Board to be a principal risk for the Company. 'Climate change and biodiversity adaptation and resilience' and 'Creating sustainable communities' are considered to be operational risks. All are monitored and managed through the Group Risk and Assurance Map ('GRAM').

The GRAM is our principal tool for monitoring the risk profile of the business, the measures in place at an operational level for mitigating and managing risk, the effectiveness of those measures via an assessment of key risk indicators, and the adequacy of the assurance given to the management team and Board about risk management. It is a dynamic document and remains subject to continuous review and evolution. The GRAM is also used to monitor emerging regulation. Further information on the GRAM can be found on page 44.

For our three Group climate-related risks we consider inherent risk (before factoring in the mitigation measures in place), to be high, but view residual risk (after factoring in our risk response) as medium.

Identifying and assessing asset-level risk

All business cases and project appraisals must factor in the environmental risks inherent in each project. Currently, these are largely qualitative assessments, but it is our ambition to begin quantified measurement of their impact for acquisitions and direct development from 2022 onwards.

Managing risks

Portfolio-level risk management is undertaken through the GRAM, informed by ongoing monitoring of portfolio-specific data, investor and other stakeholder expectations and market developments. The Company engages closely with industry bodies such as the UK Green Building Council and receives periodic updates on sector activity from its ESG consultant. At an asset-level, risk management is undertaken through project appraisals and site reports.

Steps taken to manage and mitigate our Climate transition risks:

- One of our key strategic objectives is to transition our Investment Portfolio to modern Grade A
- We have developed a sustainable building code: new buildings to be at least BREEAM Very Good and EPC rating A
- We will continue to develop disclosure of climate-related metrics to demonstrate progress and address stakeholder expectations
- We will maximise opportunities for on-site renewable energy generation
- We will continue to implement energy efficiency measures, including use of EV infrastructure and installation of automatic and energy saving lighting

Task Force on Climate-Related Financial Disclosures
continued

Steps taken to manage and mitigate our climate physical risk include:

- More efficient infrastructure delivery methods and adaptation measures such as SUDS installed across sites
- Regular flood risk assessments and proactive responses to any issues arising

An outline of our processes for mitigating, transferring, accepting, or controlling risks can be found on pages 43 to 53.

Metrics & targets

Metrics used to assess climate-related risks and opportunities

	Current metrics used	2022	2021	Target
Transition risks	GHG emissions data: Scope 1, Scope 2 and certain categories of Scope 3 emissions	GHG emissions data can be found in our Streamlined Energy and Carbon Reporting disclosure on pages 62 to 6. Harworth's NZC pathway is our commitment to be NZC by 2030 for our business operations under our current SECR Operational Boundary for Scope 1, 2 and 3 emissions, and to be NZC by 2040 for all emissions. More information can be found in the Planet section on pages 66 to 70.		
	% Investment Portfolio that is EPC Grade C or above	66%	55%	100% by 2027
Physical risks	Proportion of development taking place on land designated by the Environment Agency as flood zone 1 (low probability) or flood zone 2 (medium probability) following any mitigation measures	100%	100%	Maintain at 100%
Opportunities	% Investment Portfolio that is Grade A[1] at year-end	18%	11%	100% by 2027
	Proportion of Group targets for our annual bonus scheme for all employees relating to ESG factors	10%	5%	n/a

1 Although not officially defined, Grade A is a widely-used industry term that is understood to mean 'best in class' space which is new or relatively new, high-specification and in a desirable location, allowing the unit to attract a rent that is above the market average.

Additional metrics currently being explored from 2023

Transition risks:

- Data on further categories of Scope 3 emissions
- % energy generated from renewable resources
- % energy generated on-site
- % sites with EV charging capabilities
- % assets with NZC roadmap in place
- kWh of RE generated on site or locally, specifically for our projects/ developments
- % of energy procured for our own operations
- Cost of offsetting and kg CO_2 offset per annum
- % of projects using commercial building specification

Physical risks:

- Spending on infrastructure projects that will reduce risks of physical climate impacts at sites

Opportunities:

- Cost savings from improved energy efficiency and sourcing
- Acreage of Harworth land used for offsetting
- % of company shares held by ESG-focused funds

Targets to measure climate-related risks and opportunities

Harworth's Net Zero Carbon pathway is our commitment to reaching Net Zero Carbon by 2030 for Scope 1, Scope 2, and those Scope 3 emissions relating to business travel and employee commuting, and to reaching Net Zero Carbon by 2040 for all emissions. More information can be found in the Planet section on pages 66 to 70.

Streamlined Energy & Carbon Reporting ('SECR') disclosure

We report here our greenhouse gas emissions ('GHG') and energy consumption in compliance with the requirements of The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Aligned with our financial reporting, the GHG emissions data below relates to our financial year ended 31 December 2022. Emissions data from the financial year ended 31 December 2021 has been provided for comparison.

Unless otherwise stated, our emissions data has been calculated using the *GHG Protocol Corporate Accounting and Reporting Standard (revised edition)* and emissions factors from the *UK Government's GHG Conversion Factors for Company Reporting 2022*. We have followed the *Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance March 2019* in all instances.

Harworth uses the operational control boundary method to calculate GHG emissions, whereby we report on sources of environmental impact for areas over which we have control. Occupiers' and contractors' individual energy usage and emissions are not included in our Scope 1 and Scope 2 reporting boundary as this is not deemed to be within our operational control, but it is our intention to disclose them as Scope 3 emissions for our 2023 Annual Report.

During the year we made significant improvements to our data collection processes, which have enabled us to capture a more accurate and complete data set for the prior year (2021) as well as the current year. As a result, we have restated the prior year figures to allow a year-on-year comparison.

Greenhouse gas emissions (tCO_2e)

		2022	2021
Scope 1	Site Fuel[1]	317	318
	Natural Gas[2]	96	117
	Leased Vehicles[3]	16	22
	Total	**429**	**456**
Scope 2[2]	Location-based	420	545
	Market-based	849	n/a
Total Scopes 1 & 2	**Location-based**	**848**	**1,001**
	Market-based	**1,277**	**n/a**
Selected Scope 3	Business Travel[4]	112	82
	Homeworking[5]	26	24
	Waste Disposal[6]	2	2
	Water Supply[2]	10	9
	Total	**150**	**117**
Total Emissions	Location-based	999	1,118
	Market-based	1427	n/a
Renewable energy exported to the National Grid[7]		(3)	(–)
Total Net Emissions	Location-based	**996**	**1,118**
	Market-based	**1,424**	**n/a**
Revenue Intensity ratio for Scope 1 and Scope 2 emissions (using location-based method) (tCO_2e/£m)		**5.1**	**9.1**

Energy consumption (KWh)

	2022	2021
Scope 1	1,877,600	1,966,590
Scope 2	2,169,365	2,565,304
Total Scopes 1 & 2	**4,046,965**	4,531,894

1 Fuel used for leased plant on Harworth sites where Harworth directly controls the operation.

2 Includes consumption at company offices, communal areas of leased assets, vacant units, other Harworth assets and infrastructure such as pumping stations and street lighting.

3 Fuel used in vehicles leased by Harworth.

4 Includes business travel in all employee-owned vehicles. Where possible we have used vehicle specific CO_2e emission factors to increase accuracy of reporting. Business Travel does not include employee commuting.

5 Working hours from home for all employees.

6 Includes waste from communal areas of leased assets and head office. Calculated emissions are based on waste weight, type, and disposal method.

7 Energy produced by the solar PV panels at Harworth's head office, Advantage House.

Our progress in 2022

- Total gross emissions decreased -10.6% from 1,118 tCO_2e to 999 tCO_2e between 2021 and 2022
- Total Scope 1 & 2 emissions (Location-based) decreased -15.2% from 1,001 tCO_2e to 849 tCO_2e
- Scope 3 emissions increased by +28.2% from 117 tCO_2e to 150 tCO_2e, primarily driven by increased Business Travel resulting from increased staff numbers and reduced Covid restrictions
- Carbon reporting expanded to include market-based Scope 2 emissions and increased Scope 3 coverage to include Homeworking, Waste and Water Supply

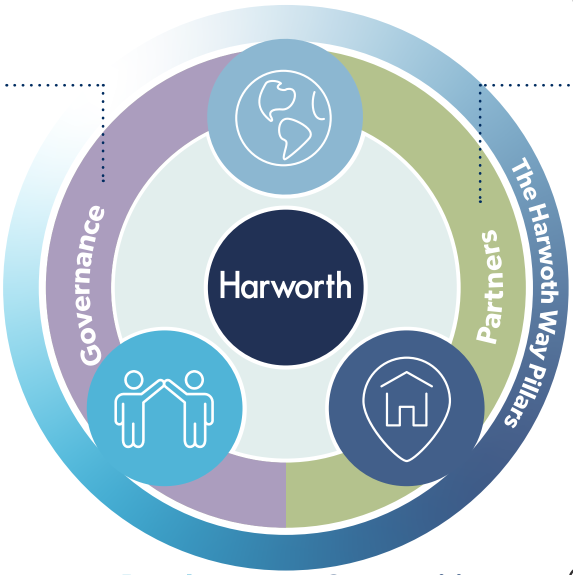
Plans for 2023

Further information on The Harworth Way and the Group's NZC pathway can be found on pages 64 to 77 of this Annual Report and Harworth's standalone NZC Pathway Report, available on our website. Plans for further reducing our GHG emission data are outlined in the 'Planet' section of the Harworth Way, on pages 66 to 70.

The Harworth Way

Our integrated approach to sustainability and social value

The Harworth Way is our framework for integrating sustainability and social value into both our business and the developments we create. It ensures these principles are embedded across our culture, strategy and, most importantly, our approach to development from concept to completion.

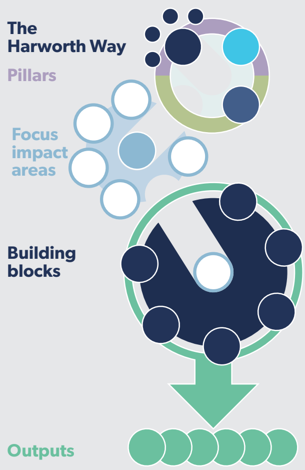


The Harworth Way is critical to us making a lasting positive impact on the environment and our communities. This commitment to integrate sustainability and social value into our business is delivered through the five pillars of The Harworth Way: the impact pillars of Planet, Communities, People and the supporting pillars of Governance and Partners.

The Harworth Way is a continually evolving framework. It is responsive to the ever-changing needs of the environments and communities we work within and, alongside our strategy, guides how we create sustainable places where people want to live and work. Our approach recognises that we cannot deliver our developments in isolation: working with all our stakeholders at all stages of the process is fundamental to achieving our aims.

Alongside our growth strategy, we continue to develop and improve our understanding of the impact of our regeneration processes. During 2022, we carried out a full review and expansion of the model to reflect both the key drivers of growth outlined in our growth strategy, and our wider sustainability commitments.

The interlocking model



The Harworth Way provides an overarching framework to deliver an integrated approach to sustainability across the business through the interlocking model.

The Harworth Way has three impact pillars which each comprise six focus impact areas, representing the key drivers for delivering each pillar. Each focus impact area is divided further into building blocks, which are the key workstreams to be undertaken within the business, in order to deliver a set of outputs. The focus impact areas and building blocks will evolve over time to reflect our progress and the priorities of The Harworth Way.

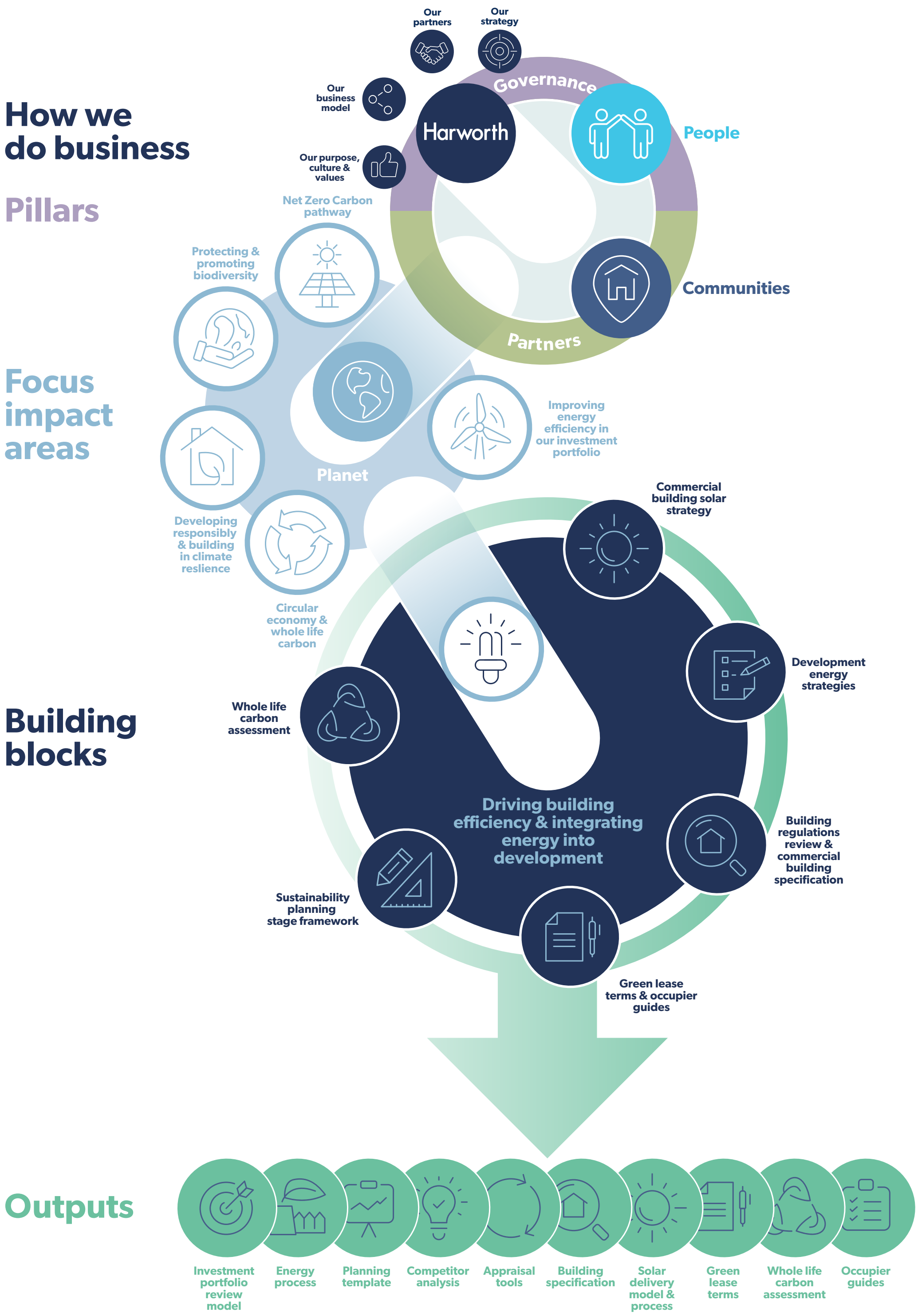
Integrating the UN SDGs

Harworth is a supporter of the UN Sustainable Development Goals ('SDGs') and a signatory to the UN Global Compact. We have selected six primary UN SDGs, which are closest aligned to our strategy and operations, and where we believe we can make the biggest impact as a business. These have been mapped to our focus impact areas, as indicated on the following pages.

The interlocking model in action

The below example shows how the building blocks and outputs interlock for the ‘Driving building efficiency and integrating energy use’ focus impact area, which forms part of the 'Planet' pillar of the Harworth Way.

The business made a range of sustainability commitments in its 2021 Annual Report in relation to its key strategic objective of increasing direct development on industrial & logistics sites alongside repositioning our Investment Portfolio to be modern Grade A. During 2022, the building blocks and outputs illustrated below were developed within the framework of the interlocking model to contribute to these aims, in particular specific targets for our industrial & logistics buildings.

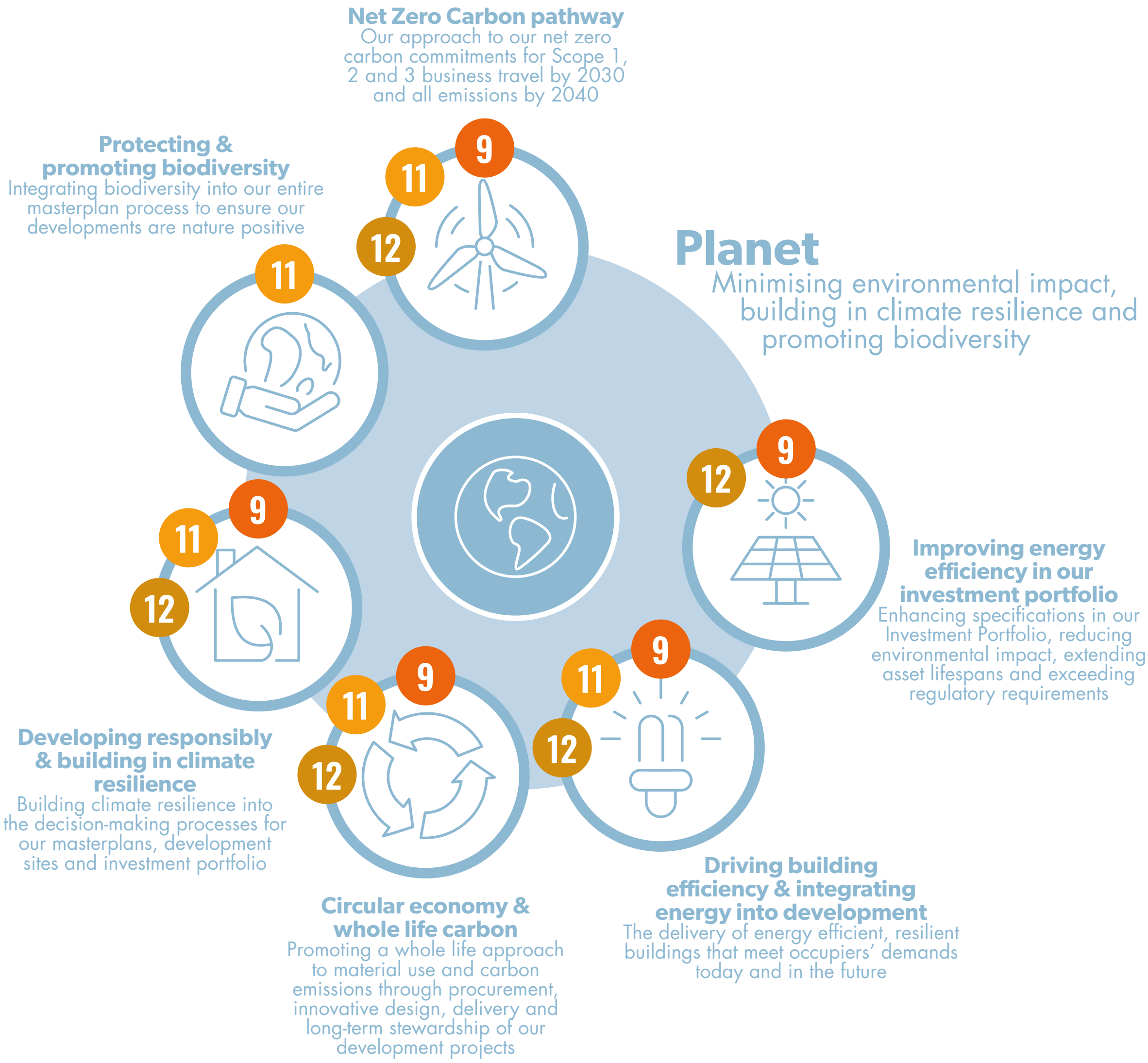


The Harworth Way continued

Planet

We aim to minimise our environmental impact, whilst promoting climate resilience and biodiversity through our development and regeneration activities. The application of this approach from initial concept to our role in long-term stewardship allows us to integrate sustainability into all phases of development.

We align to our NZC commitments in the way we design and deliver both our infrastructure led masterplans and the individual buildings within them, by improving building efficiency and integrating renewable energy into our developments. We continue to promote innovation by using circular economy principles in our role as master developer, with an emphasis on maximising the recycling of materials, and minimising the use of raw materials.



UN SDG link

Net Zero Carbon pathway

Our approach to reach NZC for Scope 1, Scope 2 and Scope 3 business travel by 2030 and all emissions by 2040.

What we planned for 2022

Between 2022 and 2023 we will undertake research and detailed planning to develop our NZC pathway, and report on our progress.

Progress in 2022

- Undertaken research and planning to gather information and understand our overall emissions impact to guide the publication of a NZC pathway in 2023.
- Undertaken a full review of our commercial build specification and commenced a review of our Investment Portfolio assets to understand their emissions and allow us to set commercial build emissions targets for all new buildings.
- Continued to assess our wider master development emissions and started work on the creation of a master developer whole life carbon model that will allow us to assess fully our Scope 3 emissions in 2023.

Plans for 2023

- Develop a carbon reporting system to allow full emissions reporting to be implemented and target the reporting of Scope 3 emissions.
- Set 2030 reduction targets for all emissions.
- Explore the creation of an internal carbon pricing mechanism on emissions for all future development and refurbishment projects through the establishment of a Harworth Transition Fund.
- Include a requirement for carbon emissions monitoring in all construction contracts.

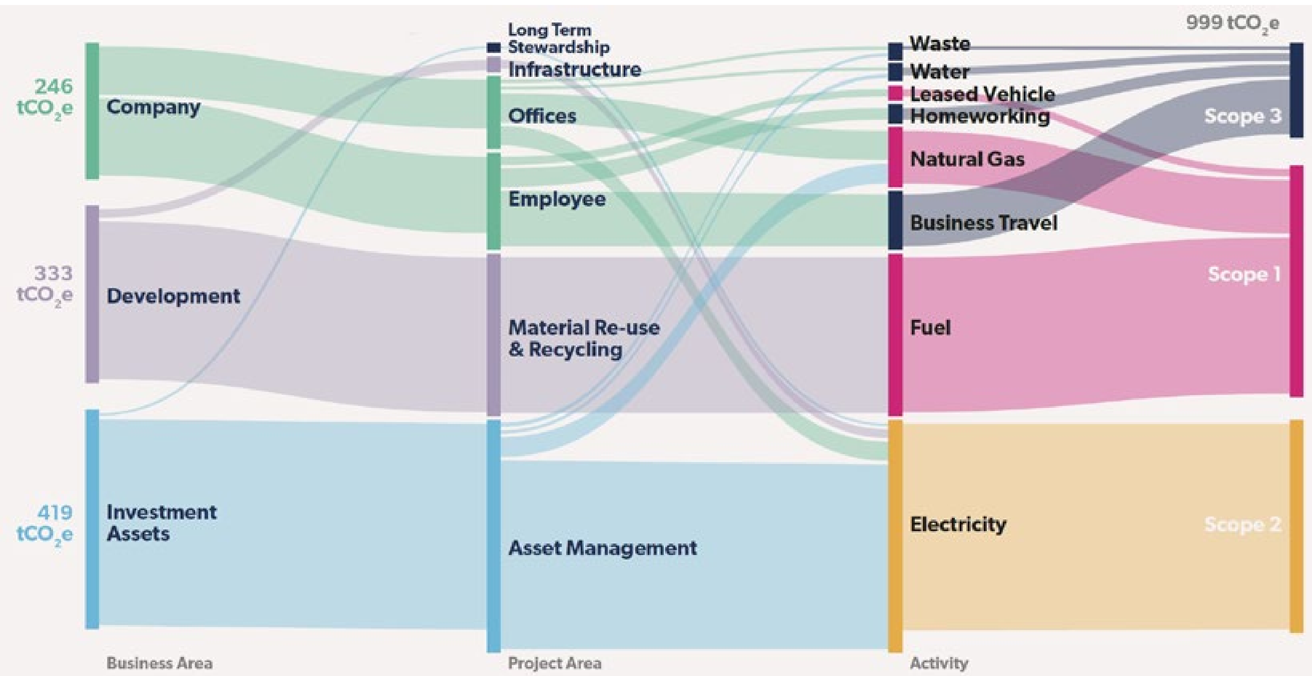
Sources of emissions

The sources of Scope 1, Scope 2 and selected Scope 3 emissions under our current SECR Operational Boundary are shown on the below diagram.

Company emissions cover our offices and our employee activities.

Development emissions cover: maintenance of non-adopted infrastructure, material re-use and recycling operations undertaken by Harworth directly.

Investment Assets emissions cover: assets where we have operational control and long-term stewardship of country parks.



The Harworth Way continued

Driving building efficiency & integrating energy into development; improving energy efficiency in our Investment Portfolio

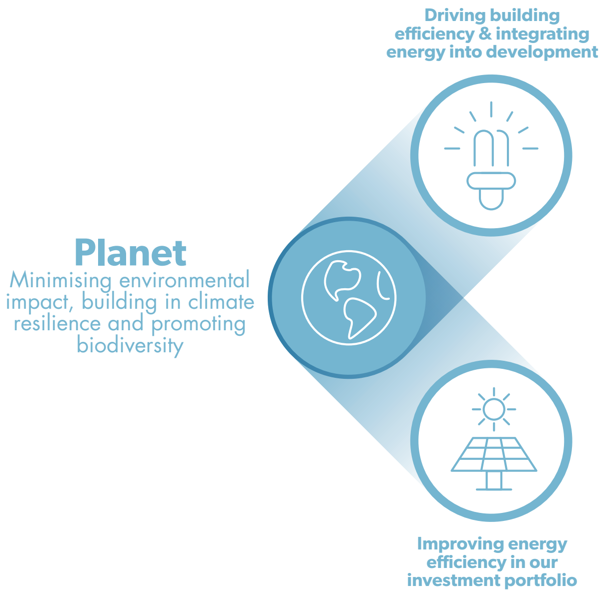
We aim to deliver energy efficient, resilient buildings that meet occupiers' demands today and in the future. We are also enhancing environmental specifications in our Investment Portfolio assets to support the transition to Grade A.

What we planned for 2022

- All new industrial & logistics developments will be EPC A rated, BREEAM Very Good and capable of being NZC in operation.
- To improve the energy efficiency of our Investment Portfolio and explore retrofit options where possible.

Progress in 2022

- Commercial building design specification and processes updated to meet EPC A and NZC in operation-ready status.
- All buildings delivered were BREEAM Very Good, with majority on course for BREEAM Excellent.
- Inclusion of whole life carbon assessments and construction-related carbon targets in new building designs.
- Piloted NZC in construction units at Bardon Hill.
- All occupiers offered green lease terms and occupier guides covering NZC in operation status.
- Assessment tools and templates created for carbon and retrofit assessment across our Investment Portfolio.
- All new commercial buildings delivered into the Investment Portfolio to include rooftop solar PV provision.



Plans for 2023

- Refinement of commercial building specifications.
- Creation of emissions targets for our BTR residential product.
- Launch occupier engagement programme including review of energy usage and emissions from Investment Portfolio.
- Identify sequestration opportunities within our existing portfolio.
- Review of our existing energy supply agreements, exploring opportunities to transfer to renewable and low emission tariffs.
- Offer all new occupiers on new developments power purchase agreements from rooftop solar PV provision.

Gateway 36 case study

At Gateway 36 in Barnsley, we have worked with our construction partner to create an integrated, sustainable new commercial development delivered in phases through innovative earthworks treatments. Our approach minimises material use, reducing the need for emissions intensive foundation solutions, and material import and export, whilst maximising the use of circular economy principles across all phases.

The individual buildings incorporate energy efficiency, energy provision and NZC measures including:

- EPC A ratings and BREEAM Very Good/Excellent certifications
- roof-mounted solar PV to meet office energy demand, and designed to allow full coverage of roof-mounted solar PV
- LED lighting and electricity-based heating systems including variable refrigerant flow systems featuring simultaneous heating and cooling as well as heat-recovery capabilities
- EV charging points
- rainwater harvesting and water leak detection systems, reducing water usage and emissions at source
- SUDS to manage water quality and surface water run off, whilst reducing embodied emissions through a reduction in construction materials in infrastructure

Circular economy & whole life carbon

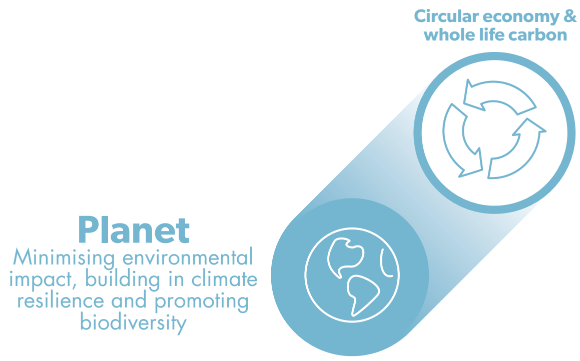
We have a track record of embedding circular economy principles in the design and delivery of developments. We drive energy efficiency in buildings and integrate nature into our developments through the remediation we undertake, the infrastructure we provide and our placemaking across the full life cycle of a development.

What we planned for 2022

Develop metrics for measuring and enabling us to report more fully the environmental impacts of our activities.

Progress in 2022

- Retrospective reviews of remediation schemes to understand the carbon emissions from demolition and remediation both within our operational control and beyond our boundaries including how we adopt circular economy principles.
- Undertook carbon emissions reduction assessment from pulverised fuel ash ('PFA') reuse at Ironbridge.
- All remediation contracts stipulated the re-use of materials on site and recycling offsite in accordance with good waste management practice.



Plans for 2023

- Develop a master developer whole life carbon model, identifying appropriate accreditation with a conclusion of the review of our remediation and infrastructure delivery to improve on best practice in relation to carbon emissions for our circular economy based design briefs.
- Whole life carbon assessments incorporated into all upgrade and retrofit design briefs for commercial buildings.
- Incorporate NZC criteria into the procurement of all construction contracts.
- No new gas infrastructure provided for heating on our new developments and review transition of existing developments from gas infrastructure for heating.

Pheasant Hill Park case study

Brownfield remediation is, despite its wider sustainability benefits, an emissions-intensive activity. Circular economy principles are embedded into our design process for remediation with a 'no-material in, no material out' approach as our starting point.

At Pheasant Hill Park, we are creating a new community of up to 1,200 new homes with extensive nature recovery from the spoil heap of the former Rossington Colliery. Our circular economy approach has minimised emissions by:

- reusing 99% and 1.7 million m^3 of material within the development
- using 360,000m^3 of material from the site for the creation of the Great Yorkshire Way link road
- reusing 51,000m^3 of peat as part of the landscaping of the site to capture emissions
- naturalising the former colliery spoil heap, by reusing over 3,000 tonnes of sewage cake and other bio-additives for soil making on the country park
- removing around 16,000m^3 of old concrete structures that were recycled into the works, saving the import of natural aggregate, reducing road traffic and use of quarry stone reserves
- reusing initially unusable materials from one phase of remediation on later phases following drying and reprocessing

The Harworth Way continued

Protecting & promoting biodiversity; developing responsibly and building-in climate resilience

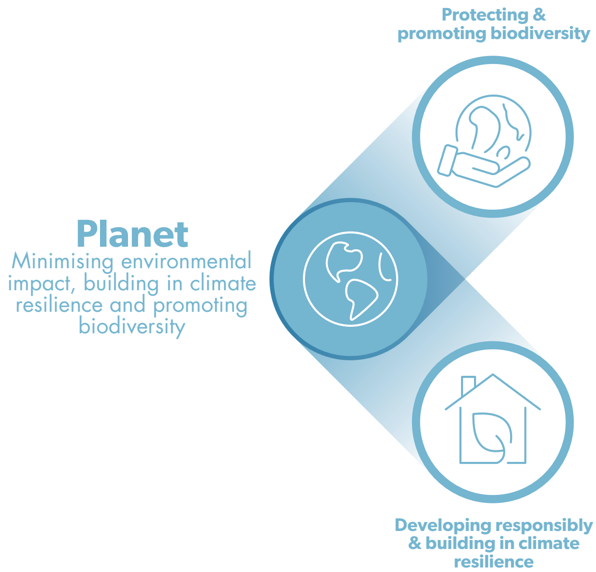
As a master developer we have the opportunity to understand and integrate biodiversity into our developments from the outset of development. We have a track record of restoring and delivering hundreds of acres of green space, rewilding, heathland, woodland and integrated ecological improvements for wildlife.

What we planned for 2022

- All new masterplans will incorporate renewable energy infrastructure.
- We will identify a series of metrics that we will use to report on the biodiversity initiatives and actions we take.

Progress in 2022

- Commercial building design specification and processes updated to include renewable energy as part of the base specification.
- Sustainability planning stage framework created and implemented across our planning stage projects, which includes renewable energy assessment.
- Devised an Energy & Natural Capital strategy.
- All developments include SUDS facilities.
- Targets identified to cover biodiversity net gain.
- Our first biodiversity net gain scheme has been agreed and commenced at Gateway 36 in partnership with Barnsley Metropolitan District Council.
- Completion of a significant environmental and ecological improvement scheme at Rufford.



Plans for 2023

Biodiversity net gain scheme targets to be used as reporting metrics for the business.

Gateway 36 case study

Biodiversity Net Gain ('BNG') is a strategy to develop land and contribute to the preservation and promotion of nature. It is a way of making sure the habitat for wildlife is in a better state than it was before development.

At Gateway 36, the former Rockingham Colliery is being transformed into a major hub for logistics and manufacturing in Yorkshire. In co-ordination with the local council, we have committed to delivering a minimum of 10% BNG on the site, in advance of the requirement being mandated by the Environment Act 2021.

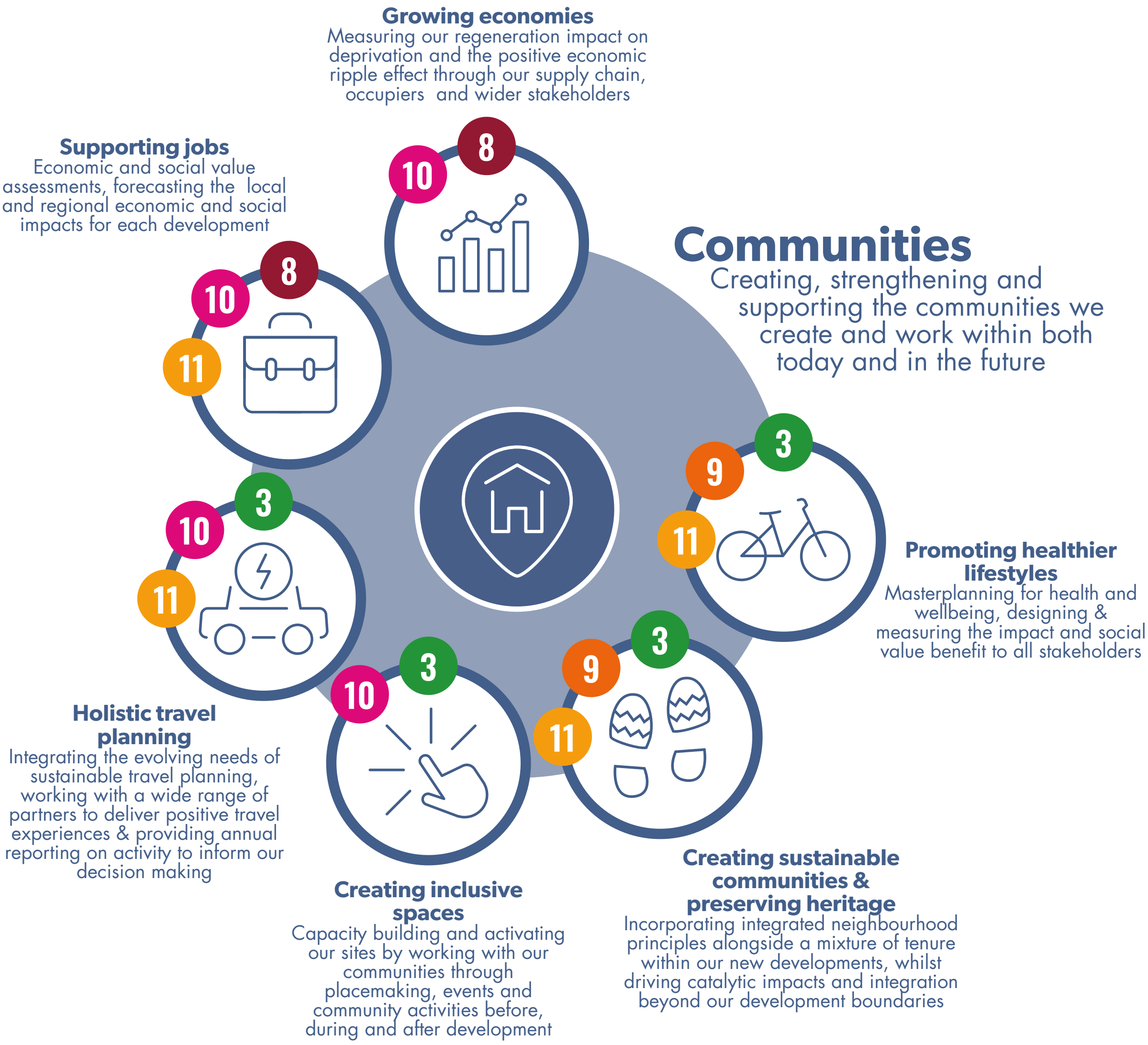
We have been able to deliver this requirement both as part of on-site habitat retention and enhancement, and off site, as we own a parcel of land next to the site known as Barrow Colliery, where we were able to identify 12.8 acres of space that could benefit from significant enhancement.

Our enhancements included the creation of new ponds and wet woodlands as well as enhancements to areas of existing neutral grasslands and mixed scrub, improving them to a good condition. These measures have brought several biodiversity benefits, and the site has subsequently been identified as a Site of Special Scientific Interest.

Communities

We aim to create, strengthen and support communities through our regeneration and development processes both today and in the future. As a master developer we create new communities through our new developments and benefit existing local communities in the regions where we work. Our developments create economic benefit through their regenerative effects at both a local and regional level, supporting jobs, housing and investment.

We also have a long track record of delivering social value through the regeneration we have undertaken. Integrating homes, jobs, amenities and green space within a single community has long been a driver of our masterplans. Our developments also promote healthier lifestyles and integrate sustainable transport.



UN SDG link

The Harworth Way continued

Promoting healthier lifestyles and integrating holistic travel planning

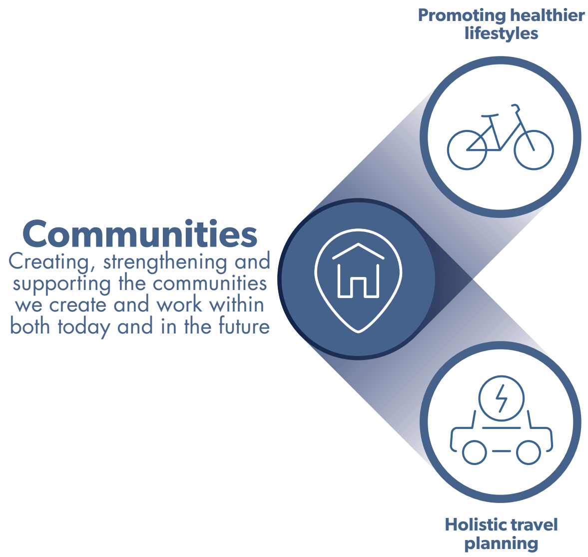
Recognising that communities need varied and high-quality infrastructure to thrive, our masterplans address the health and wellbeing of residents and those working across our sites. As a result, we provide facilities to promote healthier, greener lifestyles and wellbeing, and integrate sustainable travel planning alongside partners.

What we planned for 2022

- Cycling infrastructure at Waverley and Thoresby Vale to be delivered.
- Plans to be submitted for new football pitches at Moss Nook.
- Additional cycle and footpath infrastructure to be provided across a number of sites.
- To explore and encourage low emission transport options.

Progress in 2022

- Cycle infrastructure delivered at Waverley and Cadley Park.
- Completion of a new spine road at Moss Nook, with segregated pedestrian and cycle routes and landscaping features. The road provides a more direct connection between the site and the amenities provided in St Helens town centre.
- Commercial building design specification and processes updated to incorporate increased EV charging.
- Plans approved for a new primary health centre at Waverley, which will have capacity for 6,000 patients.
- Full review of our travel plan measures on existing sites undertaken and best practice identified.
- Began consultation with regional transport stakeholders for our Benthall Grange site in Ironbridge, exploring opportunities to create new sustainable travel networks.



Plans for 2023

- Monitor usage of transport systems across our sites to evaluate effectiveness and identify areas for improvement.
- Further enhance our integrated travel plans within all new masterplans.

Logistics North case study

Our travel planning approach helps our sites to become sustainable travel exemplars. By reducing the environmental impact of travel, we create desirable places to work and live and we achieve this by ensuring our travel plans are secured, monitored, and delivered as effectively as possible.

Logistics North is one of the largest and most successful developments of its kind to be brought forward in the north of England. With up to 7,000 people working across the site, the additional travel movements caused by commuting are a source of additional traffic and emissions. We addressed this challenge through the design and implementation of an integrated travel plan for the entire development.

Working closely with Mosodi, a sustainable travel adviser, Bolton MBC, Greater Manchester Passenger Transport Executive and Transport for Greater Manchester ('TfGM'), we produced an integrated travel plan containing a package of measures tailored to the needs of the site and promoted greener, cleaner travel choices by reducing reliance on the car. The travel plan is recognised as an exemplar by TfGM and is included in its travel plan tool.

We have also worked with Mosodi, to implement its "1dayaweek" behavioural change campaign, which is designed to provide real, cost-saving solutions to congestion, parking pressures and site accessibility.

Creating sustainable communities and preserving heritage; creating inclusive spaces

Incorporating integrated neighbourhood principles alongside a mixture of tenure within our new developments, whilst driving impacts and integration beyond our development boundaries. We also activate our sites by working with communities through placemaking, events and community activities.

What we planned for 2022

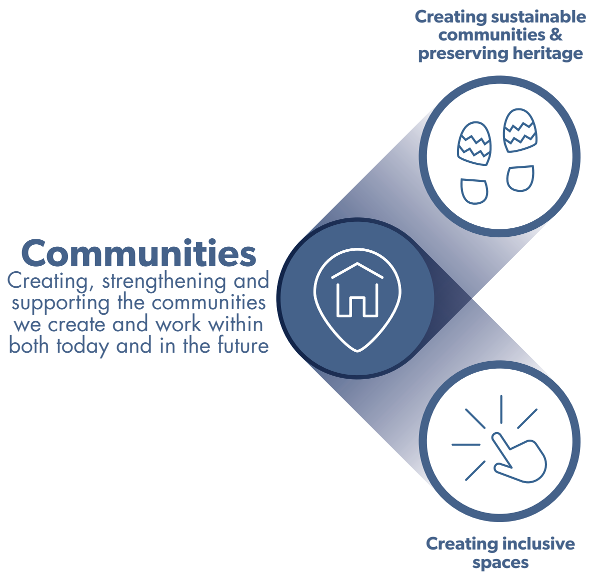
- Olive Lane at Waverley to provide amenities including a supermarket, restaurants, a gym and pharmacy.
- Planning to be submitted for two schools, at South East Coalville and Thoresby Vale.

Progress in 2022

- Planning submitted for 'Forest Schools' at South East Coalville and at Thoresby Vale, which maximise opportunities for learning outside the classroom, and integrate sustainability features.
- Launched our single-family BTR portfolio as part of our strategic objective to diversify our residential products. These rental homes will further enhance the vibrancy and inclusivity of developments.
- Supported the creation of a new children's book, "Cones and The New Community" to educate primary school children about the role of Harworth as a master developer and the history of the Waverley site.

Plans for 2023

- Progress the development of our Olive Lane heart of the community site at Waverley.
- Explore other forms of mixed tenure for delivery at our sites, such as senior living, working with strategic partners where appropriate.



'Cones and The New Community' children's book case study

"Cones and The New Community" is the latest in a series of books written by Chris Madeley about the construction and infrastructure industry. The series has recently been recognised by CSR-A, the UK's only accreditation body for social responsibility.

Harworth has supported this project to help children gain an understanding of community development and what can be achieved in areas that may just need vision and determination to build something special. The book also provides an accessible history of the Waverely site, and has helped to raise awareness of Harworth's role within our communities.

By 'bringing traffic cones to life' the author has created a means of communicating with children free from the constraints of culture, colour, race and religion: within each story all Cones are equal, are everywhere and have a life of their own.

Harworth has distributed 2,500 copies of the book to school students and residents at Waverley, local libraries and residents at Harworth sites across the regions. This engagement has given residents a further insight into our work as master developer and includes them in the process.

The Harworth Way continued

Growing economies; supporting jobs

Ensuring our developments have a positive economic and social impact through supporting jobs, investment and innovation throughout our regions, and taking steps to measure this impact on our supply chain, occupiers and other stakeholders.

What we planned for 2022

- Our Bardon Hill scheme to support approximately 530 new jobs once completed.

Progress in 2022

- Completed 332,000 sq. ft of employment space at Bardon Hill and a further 100,000 sq. ft at the AMP, supporting new job opportunities across the regions.
- Started on-site with 203,000 sq. ft of employment space at Gateway 36 and the AMP.
- Commissioned Ekosgen, an independent economic research consultancy, to appraise the social and economic benefits of the regeneration and development Harworth has delivered and plans to deliver. It found that our portfolio has the potential to:
  - support up to 73,000 jobs (2021: 72,000)
  - deliver Gross Value Added of £4.6bn (2021: £4.2bn)
  - generate up to £82.3m in business rates (2021: £75.4m)
  - deliver up to £56.1m in council tax receipts
- Supported the construction of a new hotel at Waverley and a supermarket at South East Coalville.
- Undertook economic and social value assessments on new acquisitions.

Plans for 2023

- Completion of employment space currently under construction.
- Progress development of new pre-let and build-to-suit opportunities.
- Continue and further develop the use of economic and social value assessments to assess new acquisition opportunities.

Case study

Harworth is investing and supporting employment space in some of the most deprived parts of the UK, where levels of economic growth and investment have typically been below average.

The table below uses data from Ekosgen and estimates the proportion of new jobs supported through Harworth's existing developments and pipeline within the most deprived areas of England. It shows that almost two-thirds of the jobs to be supported are in areas more deprived than the national average, underlining Harworth's commitment to these areas and providing a significant boost to levelling up these regions.

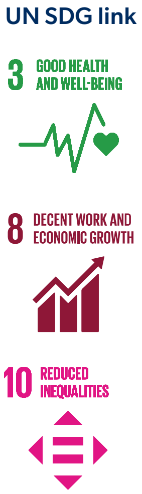
Harworth's support for job creation in deprived areas
(using indices of Multiple Deprivation (England 2019))

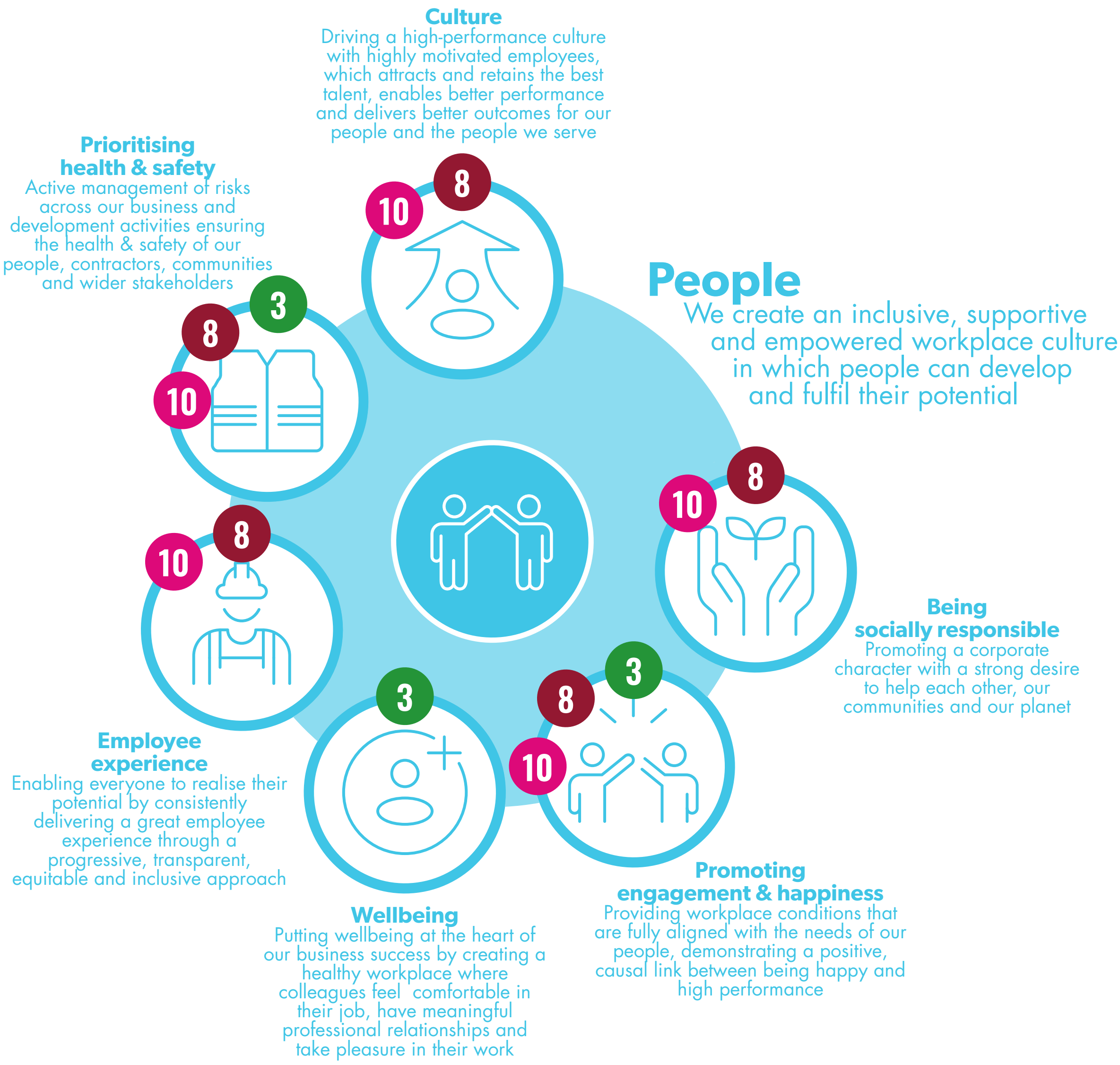
Area deprivation decile	Cumulative % of jobs supported by Harworth pipeline
10% most deprived (Decile 1)	15%
20% most deprived (Decile 2)	16%
30% most deprived (Decile 3)	29%
40% most deprived (Decile 4)	41%
50% most deprived (Decile 5)	64%

People

We aim to be an employer of choice, creating an inclusive, diverse, and empowered workplace culture in which our people can develop and realise their full potential. Central to this is the prioritisation of employee health and wellbeing and ensuring our people remain inspired, recognised and engaged.

We have embedded a "One Harworth" culture throughout our business. This underlines our collaborative approach to delivering and managing our sites and succeeding as one team. Our culture is underpinned by the three Harworth values: taking pride in our people & partnerships, delivering creative solutions, and acting with integrity & trust.





The Harworth Way continued

Maintaining a great culture and employee experience, promoting engagement and happiness and being socially responsible

What we planned for 2022

- We will continue to make Harworth a great place to work, through engagement, prioritising the physical and mental wellbeing of staff, our market-leading people policies, promoting diversity, and providing career opportunities.
- We will take steps to increase share ownership amongst employees, and introduce an ESG target that impacts Group-wide bonuses.

Progress in 2022

- ESG targets included in bonus scheme for all employees.
- Delivered our first equity, diversity and inclusion ('ED&I') Company-wide training.
- Supported an initial cohort through our first Leadership Development Programme.
- Successfully completed our 'Will It Make The Boat Go Faster' initiative to deliver improvements to ways of working in support of our strategic goals.
- Extended participation in our Restricted Share Plan ('RSP') such that 56% of employees were granted an award in 2022, and have increased the RSP opportunity for all participants.
- Increased the annual value of free shares awarded under our Share Incentive Plan to the statutory maximum of £3,600 of free shares, and started to introduce offers of Partnership Shares and Matching Shares under the scheme.
- Successfully recruited and onboarded over 30 new colleagues, increasing our headcount by c.40% to support our business growth strategy.
- Donated £34k and 147 volunteering hours to a number of local and national charities.
- Researched and developed a 'People and Enabling Excellence Strategy' ready for deployment from 2023 .
- Achieved 93% in our employee engagement survey and an above external benchmark score.

Plans for 2023

- Continue to cultivate a diverse, inclusive and equitable organisation where everyone has the opportunity to innovate and succeed.
- Develop the Harworth Academy, supporting the learning and development of our people and continued future success of our organisation.
- Create a destination workspace to enhance our ability to co-create, collaborate and concentrate.
- Introduce new ways of working to continue the drive towards efficiency and optimisation of resources.

Introduction of a menopause and hormonal change policy case study

Harworth seeks to support employee's wellbeing at every stage in life. We know that many people feel uncomfortable talking about hormonal change, which means that often people suffer in silence while they or their loved ones experience a wide range of symptoms that can affect their physical as well as mental health.

During the year, we introduced a policy designed to ensure people suffering with menopausal symptoms can feel empowered to ask for adjustments to ease such symptoms without embarrassment, can carry out their daily role in a safe working environment whether at home or in the office, and can have open discussions with colleagues and managers so that they feel part of an inclusive work culture.

Employees suffering symptoms are encouraged to complete a wellbeing action plan to identify how their menopausal symptoms are impacting them at work, and use this to discuss any changes they might need with their manager. By creating a plan, employees can identify what works and doesn't work for them in managing their menopause transition, what support they might need from their manager and what they can do to support their own health and wellbeing.

Prioritising wellbeing and health & safety

What we planned for 2022

- Continue to make Harworth a great place to work, through engagement, prioritising the physical and mental wellbeing of staff, our market-leading people policies, promoting diversity, and providing career opportunities.
- We will aim for zero RIDDOR-reportable accidents on Harworth sites.

Progress in 2022

- Trained mental health first aiders.
- Launched menopause policy and trained menopause champion.
- Established monthly drop-in sessions to discuss people matters.
- Launched a Wellness and Healthy Workplace survey.
- Awarded a one-off ex-gratia payment to all colleagues to help with rising energy costs.
- There were no RIDDOR reportable accidents at our sites for either Harworth personnel or contractors working on our behalf.

Plans for 2023

- Introduce a financial wellbeing support programme to help colleagues through the challenges presented by the current macroeconomic environment.
- Introduce an Employee Engagement Forum to encourage more colleagues to share ideas, thoughts and feedback on ways of working and opportunities for improvement.
- Introduce a monthly wellbeing bulletin with tips and techniques to support employee wellness at work and at home.
- Introduce a fertility support policy.
- Begin refurbishment of our head office in Rotherham.
- Provide interactive health & safety training for all of our employees together with specific training on the Construction Design and Management Regulations, supplemented by online training.
- Run a compulsory health & safety day for all employees.
- Conduct a mock emergency to ensure organisational arrangements and responses to health & safety matters are suitable.

The Strategic Report has been approved by the Board of Directors and signed on its behalf by:

Chris Birch
General Counsel and Company Secretary

Governance Report

"We are confident that, set in the context of an established and effective corporate governance structure, our growth strategy is well placed to navigate the current macroeconomic challenges and adapt to the changing risk environment."

Alastair Lyons
Chair

Contents

Chair's introduction

"During 2022, the Board has continued to focus on supporting the business in delivering against its growth strategy, whilst upholding high standards of corporate governance."

Alastair Lyons
Chair

Dear Shareholder,

On behalf of the Board, I am pleased to present this year's Corporate Governance Report.

In September 2021, our then new Chief Executive, Lynda Shillaw, unveiled our strategy to grow Harworth to £1bn of EPRA NDV. During 2022, the Board has continued to focus on supporting the business in delivering against its growth strategy, whilst upholding high standards of corporate governance, with notable progress in the key areas outlined below. The Board and the Executive have had to navigate a challenging, uncertain and unpredictable macroeconomic and geopolitical environment and conditions are likely to remain so for some time. We are, however, confident that, set in the context of an established and effective corporate governance structure, our growth strategy is well placed to navigate these challenges and adapt to the changing risk environment.

The areas identified below are developed in more detail in the Strategic Report (pages 1 to 77) and in the balance of this Corporate Governance Report, which comprises: the Statement of Corporate Governance, the Nomination Committee Report, the Audit Committee Report, the ESG Committee Report, the Directors' Remuneration Report, the Directors' Report, and the Statement of Directors' Responsibilities.

Our Strategy

When formulating our strategy, the Board recognised that the aim of growing the business to £1bn of EPRA NDV would require material shifts in the pace and scale of what we do. During the period, the Board has supported this change in pace by endorsing the following operational decisions:

- To increase the depth and capability of both our management and our employees to deliver against our strategy, at the same time enhancing our offering to employees to incentivise, develop and retain our talented workforce.
- To sign a new five-year £200m RCF in early 2022, affording greater flexibility and additional liquidity to fund the delivery of our strategy.
- To launch a single-family Build-to-Rent ('BTR') product to diversify the range of products on our residential development sites.
- To complete a number of acquisitions to grow our strategic landbank.
- To set in train several direct development projects to unlock additional value from our industrial & logistics pipeline.
- To sell certain of the assets within our investment portfolio as we reposition the portfolio to modern Grade A.

Central to what the Board has spent time on this past year has been to review progress against the strategic objectives in support of our Purpose – the creation and delivery of sustainable places where people want to live and work.

Sustainability

Our commitment to sustainability is embedded in the Group's culture, strategy and operations. Our longstanding approach was first articulated as The Harworth Way in 2019, and in 2021 we both established our ESG Committee and introduced an ESG measure into the Group targets for our annual bonus scheme for all employees. In H1 2022, we appointed Harworth's first Director of Sustainability, Peter Henry, who had previously been one of our Regional Directors together with Marzia Zafar, who has significant expertise in this area, as a Non-Executive Director.

During the period, we have focused on the evolution of several elements of Harworth's ESG framework. This includes the development of the Group's Sustainability Framework through the expansion of the Harworth Way (see further on pages 64 to 77), as well as the principles of the Company's Net Zero Carbon ('NZC') Pathway, which has been published alongside this Annual Report and can be found on the Company's website.

Chair's introduction continued

Risk and assurance

Like all UK companies, the Board has had to monitor and manage risk, and make decisions, against an unpredictable and continuously evolving macroeconomic and geopolitical backdrop. As macro and market conditions have deteriorated, the Board has determined that the Group's "residential and commercial markets" principal risk has increased from "medium" to "high". There have been some other changes to the profile of our principal risks, which are explained on page 45, and the Board continues to monitor closely all principal risks and the adequacy of the mitigating actions that have been identified. Notwithstanding an adverse change in the overall profile of the Group's principal risks, the Board remains confident in the resilience of Harworth's business model, financial position, and management effectiveness to identify and then take appropriate mitigating actions. A detailed explanation of the Group's risk management framework, the principal risks and uncertainties affecting the Group, and the steps we are taking to mitigate these risks, can be found on pages 43 to 53.

The Group has recently reviewed its assurance procedures in the context of its continuing growth and in late 2022 established an internal audit function to reduce its reliance on external review of the effectiveness of its framework of management controls. An internal audit plan for 2023 has been agreed and the Head of Internal Audit has a direct reporting line to the Audit Committee. This additional resource has been long planned, and is timely, forming part of our preparation for the implementation of the audit and corporate governance reforms. See further details in the Audit Committee Report on page 111.

People, remuneration, and culture

Employee engagement is always high on the Board's agenda, and has been especially important during the period given operational changes to support the growth strategy, not least a material increase in the size of the workforce, as well as the external uncertainty affecting everyone created by the current macroeconomic environment. The Non-Executive Directors participated in a very well attended Employee AGM in September 2022, at which employees put questions directly to each Board member. The Board also undertook regional and site visits, joined employees for informal lunches and dinners, and continued to receive feedback from the Chief Executive on matters affecting our people at each Board meeting.

During the second half of 2021, the Remuneration Committee undertook the triennial Remuneration Policy ('Policy') review, which concluded in our revised Policy being approved by the Board in February 2022 and by shareholders at our AGM in May 2022. No changes to this Policy are proposed this year.

A summary of the Policy is set out on pages 119 to 121, and the Policy is set out in full on pages 127 to 137 of the 2021 Annual Report. Whilst the Committee makes remuneration decisions in respect of the Executive Directors and wider Senior Executive team, those decisions are informed by the reward arrangements for the wider workforce, and the Committee Chair attended a Group-wide communication event to explain the objectives, rationale for, and operation of the revised Policy. The Board is keen to promote and facilitate share ownership throughout the workforce to foster stewardship and to align the interests of employees and shareholders, whilst also allowing our employees to share in the future success of Harworth. In pursuit of this, the Committee approved an extended application of both the all-employee Share Incentive Plan and the discretionary Restricted Share Plan.

The Board is acutely aware of the cost-of-living crisis and has sought to provide support to employees where the burden is most challenging. We made a one-off non-contractual payment of £2,000 in December 2022 to all employees (excluding the Senior Executive). For 2023, the Remuneration Committee approved variable salary increases relative to role seniority, with employees on lower salaries receiving a proportionately higher increase.

Board composition

Given the relatively short tenures of our Executive and Independent Non-Executive Board members, succession planning did not feature as prominently on the Board's agenda as in previous years. That said, in June 2022, the Board was delighted to announce the appointment of Marzia Zafar as an additional independent Non-Executive Director following a recruitment process led by the Nomination Committee. This appointment was prompted by our 2021 external Board effectiveness review, which recommended that the Board remain open to recruiting a Non-Executive Director with different skills and experience. Marzia brings to Harworth a wealth of experience in sustainability, having spent over 20 years working on policies and strategies to enable energy transition across many sectors.

In addition, whilst all appointments to the Board are based on merit, it is testament to Harworth's commitment to diversity and inclusion that the appointment of Marzia is a first step in improving ethnic minority representation at Board level. We hope this will demonstrate to our existing and prospective employees that the Board remains committed to enhancing diversity (in its widest form) at all levels of the business.

Board evaluation

As is good practice, I led an internal evaluation of the Board's effectiveness in Q4 of 2022. The key conclusions from that exercise were discussed by the Board in January 2023 and an action plan to implement recommendations has been agreed. This followed an external review of Board effectiveness in Q4 of 2021. The agreed recommendations from this recent internal evaluation are summarised in the Statement of Corporate Governance on page 97.

Annual General Meeting

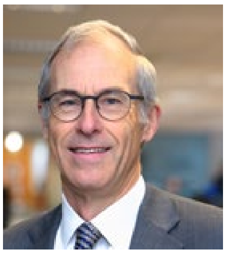
This year, we will be holding our first partly virtual Annual General Meeting ('AGM') on Tuesday 23 May 2023 at 10:00 am with the meeting being webcast live. For statutory purposes, the place of meeting will be The Bessemer Conference Room, AMP Technology Centre, Advanced Manufacturing Park, Brunel Way, Waverley, Rotherham S60 5WG. The Chair, Chief Executive, Chief Financial Officer and Company Secretary will be at this location, to meet with any shareholders who still wish to attend in person, with other Directors joining online. Shareholders that view the AGM online will not be able to vote during the meeting but are encouraged to vote in advance.

The AGM is a key date in the Board's calendar, and by making the meeting available online the Board hopes to increase levels of shareholder engagement by providing increased opportunity to pose questions to Board members. Questions can be submitted via the webcast facility both during and in advance of the meeting. See page 97 for further detail on the AGM, including the ways to submit voting instructions before the meeting.

Alastair Lyons
Chair

13 March 2023

Board of Directors



Alastair Lyons
Chair

Date of appointment
07/03/2018

Length of service
5 years 1 month

Independent
Yes

Committee Membership

N (Chair) R E

Skills and Experience
Alastair is Chair of Welsh Water and Vitality UK. He was Chair of the Admiral Group from 2000 to 2017, Deputy Chair of Bovis Homes from 2008 to 2018, Chair of Serco from 2010 to 2015 and of Towergate Insurance from 2011 to 2015. Previously in his executive career, Alastair was Chief Executive of the National Provident Institution and the National and Provincial Building Society, Managing Director of the Insurance Division of Abbey National plc and Director of Corporate Projects at National Westminster Bank plc. He has a broad base of business experience with a particular focus on the housing and insurance industries. He was awarded the CBE in 2001 for services to social security having served as a Non-Executive Director of the Department for Work and Pensions and the Department of Social Security, and he was also a Non-Executive Director of the Department of Transport.

External appointments
Chair of Welsh Water (Dŵr Cymru) and Vitality UK.

Lynda Shillaw
Chief Executive

Date of appointment
01/11/2020

Length of service
2 years 5 months

Independent
No

Committee Membership

N E D

Skills and Experience
Prior to Lynda's appointment as Chief Executive, she was Group Property Director at Town Centre Securities plc where she led the management of its land and property and its development pipeline. Before that she was Divisional CEO, Property at the Manchester Airports Group ('MAG'), where she was responsible for MAG's investment portfolio and development land bank, including its "Airport City" joint venture. This followed a long career managing both investment and development real estate portfolios for BT and Co-operative Group before joining Lloyds Banking Group as Global Head of its Real Estate lending division.

Lynda is a Non-Executive Director and Senior Independent Director of Vivid Housing Association, and is also Chair of the BPF Regional Policy Committee and interim Chair of the SYMCA Innovation Board. She was also a Non-Executive Director of The Crown Estate from January 2018 until December 2021.

External appointments
Non-Executive Director of Vivid Housing Association.

Katerina (Kitty) Patmore
Chief Financial Officer

Date of appointment
01/10/2019

Length of service
3 years 6 months

Independent
No

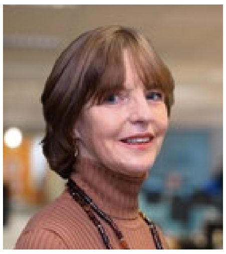
Committee Membership

E D (Chair)

Skills and Experience
Prior to joining Harworth, Kitty was Director with responsibility for Finance and Operations at Harwood Real Estate, which managed one of the largest private rented housing investment portfolios in the United Kingdom. She led the finance function with responsibility for investor relations and capital markets, including leading an LSE main market fundraising process. Kitty started her career in banking at Barclays specialising in structured real estate finance before moving into real estate mezzanine finance across the UK and Europe for a private debt fund, DRC Capital.

Kitty is also a Non-Executive Director of LondonMetric Property plc.

External appointments
Non-Executive Director of LondonMetric Property plc.



Angela Bromfield
Senior Independent Director

Date of appointment
01/04/2019

Length of service
4 years

Independent
Yes

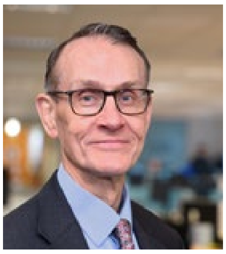
Committee Membership

R (Chair) E (Chair) N

Skills and Experience
Angela is a Non-Executive Director at Marshalls plc, where she Chairs the Remuneration Committee. She is also the designated employee engagement NED and is a member of the Nomination and Audit Committees. Until June 2022, she was also a Non-Executive Director at Churchill China plc, where she chaired the Remuneration Committee and was a member of the Nomination and Audit Committees.

Angela has extensive commercial strategy, marketing and communications executive experience. She was Strategic Marketing & Communications Director at Morgan Sindall plc until 2013 and prior to that held senior roles at the Tarmac Group, Premier Farnell plc and ICI plc.

External appointments
Non-Executive Director of Marshalls plc.



Patrick O'Donnell Bourke
Non-Executive Director

Date of appointment
03/11/2020

Length of service
2 years 5 months

Independent
Yes

Committee Membership

A (Chair)

Skills and Experience
Patrick is a Non-Executive Director and Chair of the Audit Committee of Pantheon Infrastructure plc and is also Chair of Ecofin US Renewables Infrastructure Trust plc. He was a Non-Executive Director of Calisen plc from January 2020 until March 2021, and a Non-Executive Director of Affinity Water Limited from 2013 to 2020.

Patrick has significant senior international experience in investing in, and managing, infrastructure and utilities. His most recent executive role was that of Group Finance Director for John Laing Group plc from 2011 to 2019. Prior to that he was Group Finance Director of Viridian Group plc from 2000 to 2006, before becoming Group Chief Executive from 2007 to 2011 after Viridian was taken private. Previously, he was Group Treasurer for Powergen plc and spent nine years in investment banking with Barclays de Zoete Wedd and Hill Samuel, having qualified as a chartered accountant with Peat Marwick (now KPMG).

External appointments
Chair of Ecofin US Renewables Infrastructure Trust plc and Non-Executive Director of Pantheon Infrastructure plc.

Ruth Cooke
Non-Executive Director

Date of appointment
19/03/2019

Length of service
4 years 1 month

Independent
Yes

Committee Membership

N A

Skills and Experience
Ruth is currently Chief Executive of GreenSquareAccord, a housing association operating across the North, Midlands and South West. Before that, she was Finance Director (from 2008 to 2012) and then Chief Executive (from 2012 to 2018) of Midland Heart, a Birmingham-based housing association. Prior to that, she held senior finance and resourcing roles at Knightstone, a housing association based in the South West, and Anchor Trust, a provider of housing and care to those aged 55 and above. Ruth has held a number of voluntary and non-executive positions in the social housing and retirement community sector. She is an Associate of the Institute of Chartered Accountants and a corporate treasurer.

External appointments
Chief Executive of GreenSquareAccord.

Key

- N Nomination Committee
- R Remuneration Committee
- E ESG Committee
- D Disclosure Committee
- A Audit Committee

Board of Directors continued

Lisa Scenna
Non-Executive Director

Date of appointment
01/09/2020

Length of service
2 years 7 months

Independent
Yes

Committee Membership

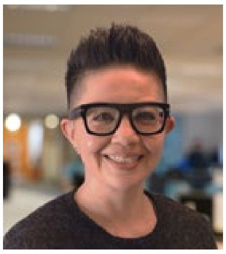
R A

Skills and Experience
Lisa is a Non-Executive Director of Genuit Group plc, where she is the Senior Independent Director, Chairs the Remuneration Committee and is a member of the Nomination and Audit Committees. She is also a Non-Executive Director of Cromwell Property Group, an Australian listed company, where she Chairs the ESG, Risk & Safety Committee and is a member of the Audit, Remuneration and Nomination Committees.

Lisa has over 30 years' experience working at executive director level in large multinational corporations, both private and publicly listed, with a strong background in real estate development and asset management. Her most recent executive role was with Morgan Sindall Group as Managing Director of MS Investments. Prior to this, she held executive roles with Laing O'Rourke, having led their infrastructure investment activities globally, and Stockland Group and Westfield Group in Australia.

Lisa is a member of the Australian Institute of Company Directors and the Institute of Chartered Accountants in Australia.

External appointments
Non-Executive Director of Genuit Group plc and Cromwell Property Group, an Australian listed company.



Marzia Zafar
Non-Executive Director

Date of appointment
01/06/2022

Length of service
10 months

Independent
Yes

Committee Membership

E

Skills and Experience
Marzia is Deputy Director for Strategy & Decarbonisation at Ofgem. Prior to this, she was Director of Sustainability & Policy at Kaluza Technologies.

Marzia brings to Harworth a wealth of experience in sustainability, having spent over 20 years working on policies and strategies to enable energy transition for regulators, business and not for profit sectors. She was Director of Insights at the World Energy Council (the UN-accredited global energy body) and worked with business and government leaders to facilitate global, national and regional energy strategies. Prior to that, Marzia spent 11 years with the California Public Utilities Commission, initially as a Senior Energy Policy Advisor, and then as Director for Policy and Planning. In this role, Marzia contributed to drafting California's Energy Action Plan to make greater use of renewable energy and led the strategy for the deployment of smart meters.

External appointments
Deputy Director for Strategy & Decarbonisation at Ofgem.

Martyn Bowes
Non-Executive Director

Representing the Pension Protection Fund

Date of appointment
24/03/2015

(Previously Non-Executive Director of Harworth Estates Property Group Limited ('HEPGL') from 19 March 2013)

Length of service
8 years 1 month (10 years 1 month including appointment to HEPGL)

Independent
No

Committee Membership

E

Skills and Experience
Martyn has spent the majority of his career in banking, most recently from 2001 to 2007 with Barclays Capital as Managing Director, Real Estate Finance. Since leaving Barclays he has pursued a portfolio business career, which in 2012 involved a takeover with fellow Directors of the South of England based Welbeck Land real estate business. Martyn now acts as Finance Director for Welbeck Land and also maintains other interests in real estate and healthcare.

External appointments
Director of multiple private limited companies predominantly within the Welbeck Land Group.

Steven Underwood

Non-Executive Director

Date of appointment
02/08/2010

Length of service
12 years 8 months

Independent
No

Committee Membership
None

Skills and Experience
Steven is Chief Executive of the Peel Group of companies and brings to the Board the extensive experience of the Peel Group in brownfield land remediation and regeneration. Steven was formerly a representative Director of Peel Group. Following the reduction of Peel Group's shareholding to below 25%, Steven now sits on the Board in a personal, rather than representative, capacity.

External appointments
Director of multiple private limited companies connected to the Peel Group. Trustee of the Science Museum Group.

Chris Birch

General Counsel & Company Secretary

Date of appointment
06/06/2016

Length of service
6 years 10 months

Independent
No

Committee Membership
D

Skills and Experience
Chris trained with Eversheds LLP (now Eversheds Sutherland LLP), where he qualified as a solicitor in 2005 and spent 12 years as a corporate restructuring lawyer, before joining Harworth as General Counsel and Company Secretary in June 2016.

External appointments
None.

Key

- N Nomination Committee
- R Remuneration Committee
- E ESG Committee
- D Disclosure Committee
- A Audit Committee

Statement of corporate governance

The 2018 UK Corporate Governance Code (2018 Code)

Governance is a supporting pillar of The Harworth Way. High standards of corporate governance underpin the effective operation of the business and the long-term sustainable success of the Company, for the benefit of all stakeholders. We aim to evolve and improve our governance structures continually in alignment with industry best practice.

Below we outline the primary areas the Board focused on during the year to ensure compliance with the main principles of the 2018 Code. A copy of the 2018 Code can be found on the Financial Reporting Council's website at www.frc.org.uk. The Company has complied with the principles and provisions of the 2018 Code throughout the year ended 31 December 2022.

Code	What did we focus on in 2022?	How did it support our strategy?	See further
Board Leadership and Company Purpose	In 2021, we developed and unveiled our strategy to grow Harworth to £1bn of EPRA NDV. During 2022, the Board has reviewed the progress made by the Executive team in delivering against the four pillars of this growth strategy, whilst navigating a challenging and unpredictable macroeconomic and geopolitical environment.	The Board reviewed and contributed to the development of further elements of our Chief Executive's strategy for Harworth's long-term growth and success. These focused on broadening the range of products on our residential sites, the development of an Energy and Natural Capital strategy, and progression of the people strategy.	Statement of Corporate Governance, pages 87 to 89
Division of Responsibilities	We reappraised our delegated authorities framework with the introduction of a new Board Reserved Matters Policy and Operational Approvals Policy, enabling effective decision making at appropriate levels. These revisions allowed for the Board to focus more of its time on strategic discussion and debate and increased the responsiveness of executive management in a rapidly changing external environment.	More time is afforded for the Board to review the potential impact of market developments on our strategy and the consequent potential need for changes, and on material strategic transactions.	Statement of Corporate Governance, pages 92 to 95
Composition, Succession and Evaluation	In June 2022, we appointed Marzia Zafar as an additional independent Non-Executive Director. This appointment was prompted by a recommendation from our 2021 external Board effectiveness review, which also influenced several other changes to enhance Board effectiveness.	The 2021 external Board effectiveness review recommended that the Board recruit a Non-Executive Director with different skills, background, and experience. Marzia brings a wealth of experience in sustainability and the Board is benefiting greatly from her expertise whilst a member of our ESG Committee as we formulate our Sustainability Framework. The recommendations implemented by the Board from the 2021 external review, and those to be adopted from the 2022 internal review, will continue to enhance its performance.	Statement of Corporate Governance, pages 95 to 97
Audit, Risk and Internal Control	The Audit Committee approved the establishment of an internal audit function, which in part replaces the Company's reliance on external review of the effectiveness of its framework of management controls. Following changes to our risk management system in 2021, the Board continued to monitor our principal risks as macro and market conditions changed.	The Audit Committee considered that the increase in pace, scale and complexity of activity needed to deliver the Group's strategy necessitated the establishment of an internal audit function. This function will provide enhanced assurance around our risk management, governance, and internal control processes to support the effective delivery of the strategy. The Board monitors a principal risks dashboard at each Board meeting to ensure risks are managed effectively, and opportunities are identified, in pursuit of our strategic objectives.	Audit Committee Report, pages 106 to 112 Strategic Report: Effectively managing our risk, pages 43 to 53
Remuneration	The new Remuneration Policy was approved at the AGM in May 2022. In line with remuneration decisions for the Executive Directors, the Remuneration Committee reviewed the Policy's application to the wider workforce and approved an extension in both the all-employee SIP and discretionary RSP.	The Remuneration Policy review was informed by the strategy. Executive remuneration is aligned with strategic objectives and cascaded through the business to motivate our people to deliver the strategy and align the interests of employees and shareholders.	Strategic Report: People, pages 75 to 77 Directors' Remuneration Report, pages 115 to 133

Board leadership and Company Purpose

Purpose and strategy

Harworth's Purpose: "to transform land and property into sustainable places where people want to live and work", underpins our strategy, business model and all Board activity and decisions. Following her appointment as Chief Executive in November 2020, Lynda Shillaw led an extensive review of strategy during the first half of 2021, working closely throughout with the Board and wider business. In September 2021, we unveiled our strategy to grow Harworth to £1bn of EPRA NDV, and during 2022 the Board focused on supporting the Senior Executive team and business in delivering against this growth strategy.

Our strategy to reach £1bn of EPRA NDV has required material shifts in the pace and scale of what we do, leveraging our specialist expertise to optimise the development of our significant consented landbank. The strategy is exciting and ambitious, building on the key attributes that have made Harworth successful to date, including its passionate, innovative and collaborative professional workforce, a substantial well-positioned landbank, and a commitment to creating sustainable communities, all of which contribute towards our aim to deliver long-term market-leading returns for investors.

The performance of the business is monitored by the Board throughout the year against the strategic objectives, and approved budget and strategic plan, with the Board satisfying itself as to the adequacy of management's response to variations in performance against the plan. Financial and operational reforecasts are now presented to the Board on a rolling basis and the Chief Executive, Chief Financial Officer, Chief Operating Officer, Chief Investment Officer and General Counsel and Company Secretary give operational and financial updates at each Board meeting which they all attend.

The key Board activities in 2022, outlined below, reflect that the Board's focus has been to oversee the implementation of the strategy, and to review progress against the strategic objectives.

Key Board activities in 2022

	Key activities and discussions	Outcomes	Future priorities	Stakeholders considered
Operational decisions in support of the strategy	The Board approved: • the launch of a single-family BTR product • a number of acquisitions and land assembly initiatives • several direct development projects • sales of certain assets within the Investment Portfolio The Board also held a Strategy Day in October to advance the current strategy.	Progression of the strategy to: • broaden the range of products on our residential sites and thereby accelerate their development • maintain the size of our strategic landbank • unlock additional value from our industrial & logistics pipeline • reposition the Investment Portfolio to modern Grade A.	The Board will continue to review the progress achieved in the delivery of the strategy, as well as continue to review regularly our financial and operational performance.	All stakeholders as set out in our s.172 Statement (pages 39 to 42).
Sustainability	Following the appointment of our first Director of Sustainability, the Board reviewed the evolution of Harworth's Sustainability Framework and NZC Pathway.	Following recommendation by the ESG Committee, the Board approved the publication of Harworth's NZC Pathway.	• Continue to ensure alignment between our sustainability commitments and the Group strategy. • Review progress against our pathway to transition our business and portfolio to Net Zero Carbon. • Continue to oversee evolution of our ESG data collection and reporting.	• Our people • Communities • Investors

Statement of corporate governance continued

	Key activities and discussions	Outcomes	Future priorities	Stakeholders considered
Risk and assurance	• The Board monitored closely our principal risks, which informed decisions made against an unpredictable and continuously evolving macroeconomic and geopolitical backdrop. • The Audit Committee approved the establishment of an internal audit function.	• As macro and market conditions deteriorated the Group's "residential and commercial markets" principal risk increased from "medium" to "high", which informed key strategic and operational decisions. • An internal audit plan was agreed in early 2023.	• The Board will continue to review the status of the principal risks at each meeting and undertake a more detailed review biannually (or at any time if there are significant movements in risk profile). • The Audit Committee will review outputs from the internal audit programme throughout the year, supporting its assessment of the effectiveness of internal controls.	Our principal risks take account of all stakeholders as set out in our s.172 Statement (pages 39 to 42).
People strategy	• The Board reviewed and supported a new Talent and Learning & Development strategy. • The Board met and engaged with staff in various formats, including employee lunches, site visits, regional team dinners, office visits, and the Employee AGM.	The Board's engagement with Harworth's people was especially important this year given operational changes to support the strategy, including a material increase in the size of the workforce, as well as the external uncertainty affecting employees created by the macroeconomic environment. The Employee AGM was very well attended and provided all employees the opportunity to put questions directly to each Board member.	The Board will continue to be appraised of the people strategy and will seek to optimise the Board's engagement with employees to understand the prevailing culture, and their thinking and concerns.	Our people
Remuneration Policy	The Remuneration Committee concluded the Remuneration Policy review in early 2022, including consultation with shareholders and engagement with our employees. The policy was approved at our 2022 AGM.	The new Policy is informed by our strategy. Further to its approach to Executive Director remuneration, the Remuneration Committee ensured that the principles of the Policy are applied to the wider workforce. The Committee extended the application of the employee share schemes to facilitate share ownership throughout the workforce to align the interests of employees and shareholders.	The Remuneration Committee will continue to oversee the appropriate implementation of the Policy, including its application to the wider workforce, against the backdrop of a challenging macroeconomic environment.	• Our people • Investors

How the Board spent its time this year

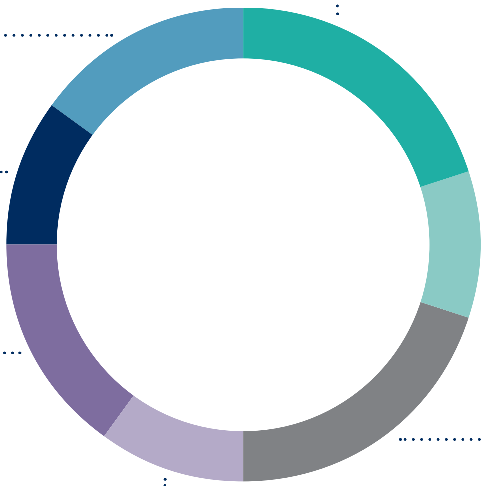
Key:

Operations and governance (15%)
The Board approved changes to the delegated authorities framework, and, as per its Reserved Matters Policy, the Board appraised all new underwriting proposals and significant transactions.

Strategy (20%)
The Board reviewed progress against the strategic objectives and held its annual Strategy Day to review the evolution of the strategy.

Sustainability (10%)
The Board's consideration of sustainability is integral to the delivery of our purpose. This included the Board's review of The Harworth Way Sustainability Framework and NZC Pathway. In addition, the elements of our ESG agenda were considered in detail by the ESG Committee, which met four times in 2022.

Stakeholder engagement (excluding people) (10%)
The Board oversaw work in respect of stakeholder mapping. In respect of investors, the Board received regular reports from the Head of Investor and Stakeholder Relations, reviewed feedback from the results roadshows and the Capital Markets Day, and reviewed an investor relations plan for the year.



Financial (20%)
The Board approved a new RCF, the 2021full-year and 2022 interim results announcements and the 2022 budget. The Board monitored performance against this budget throughout the year and approved a budget for 2023.

People and culture (15%)
The Board received regular feedback from the Chief Executive on people matters, it reviewed talent management and people development, as well as undertaking Board/employee engagement activities.

Risk management (10%)
The Board regularly reviewed the Group's principal risks and the adequacy of actions to mitigate and manage the same.

Key areas of Board focus in 2023

Continued oversight of implementation of our strategy, ensuring the resilience of the business, financial and operational, in the face of challenging conditions in our core markets	Oversight of progress against Harworth's Sustainability Framework and NZC Pathway, including review of targets	Implementation of the Remuneration Policy, against the backdrop of a challenging macroeconomic environment
Our people: oversight of implementation of the people strategy to support delivery of the business strategy, including: recruitment, engagement, welfare, succession planning, talent development and diversity	Close monitoring of the Group's principal risks	Implementation of outcomes of internal Board effectiveness review

Statement of corporate governance continued

Culture and workforce engagement – One Harworth

Our "One Harworth" culture, underpinned by the Harworth values outlined below, encourages a collaborative approach in achieving our strategy to grow Harworth to £1bn of EPRA NDV and succeeding as one team.

It is essential to the Board that it exhibits the One Harworth approach and understands, assesses and monitors the culture of the business via effective engagement with the workforce. The Board, as a whole, undertakes this in the following ways:

- Meeting and engaging with staff in various formats, including employee lunches, site visits, regional team dinners, office visits and the Employee AGM. Not only are these opportunities for the Board to gain an insight into the inspirational work of our employees and the challenges they face, they also allow staff to ask questions of, and share feedback and raise any concerns with, the Board.
- An annual review of employee engagement presented by the Group Resources and Transformation Director.
- A review of the annual employee survey results.
- Access to the quarterly staff newsletter, which reports on key operational activity from the perspectives of employees.
- Feedback from the Chief Executive at each Board meeting on people and culture.
- Where there are departures at a senior level, the Board seeks to understand from the Senior Executive the motivations for, and impact of, those departures.

The Harworth values are the principles our employees consider most important when we go about our business. At Harworth we:

Culture in action:

The Board recognises that Harworth's people are fundamental to achieving the strategy and the continued long-term success of the business. To this end, there were a record number of promotions across the business in 2022, reflecting both our commitment to recognise achievement and to ensure career progression and development opportunities. The Board also supported a new Talent and Learning & Development Strategy, and the first cohort of employees started the new Leadership Development Programme in September 2022. During 2023, we will build on this programme to support the professional development of all individuals, continuing to drive a skilled and engaged workforce.

The Group also promotes strong partnerships based on shared values and objectives with its external stakeholders, as set out in the Section 172 Statement on pages 39 to 42.

Culture in action:

2022 was a transformational year for Harworth's ESG ambitions, as we appointed our first Director of Sustainability and created a dedicated sustainability team within the business. Their focus has been on expanding and embedding The Harworth Way, building our capabilities in capturing and reporting carbon emissions to devise an initial NZC Pathway, and reviewing our commitments and approach beyond the year. See further details on pages 64 to 77.

The NZC Pathway, published alongside this Annual Report and available on the website, outlines a delivery strategy to meet our ambition to be operationally net zero by 2030 and fully by 2040. Central to this strategy will be the adoption of build specifications for our industrial & logistics sites and also the homes to be delivered by Harworth's mixed tenure teams.

During 2023, our sustainability team will also focus on how we can deliver more for our communities and how we can measure this social value.

Culture in action:

The Board is acutely aware of the cost-of-living crisis and has sought to provide support to employees where the burden is most challenging. We made a one-off non-contractual payment of £2,000 in December 2022 to all employees (excluding the Senior Executive).Feedback from members of the business was that the payment was welcome at a time of high inflation and ahead of the festive period.

In addition, for 2023 the Remuneration Committee approved variable salary increases relative to role seniority, with employees on lower salaries receiving a proportionately higher increase than those on higher salaries.

The Harworth values are embedded into the business through active leadership, internal communications, appraisals, the setting and scoring of bonus objectives, and our programme of recognition. The Harworth values underpin the delivery of our strategy, by ensuring collaboration with each other and our external stakeholders, by remaining innovative, and by encouraging employees to "do the right thing". These values are especially relevant during the current challenging period of economic and social uncertainty. During 2023, we are actively working on a structured programme with the aim of continuing the positive evolution of our culture to ensure we continue to provide an outstanding employee experience, attracting and retaining the best talent. We will report on progress in the 2023 Annual Report.

Stakeholders

In 2019, the Board undertook a significant exercise to identify its key stakeholders, understand how the business engages with them, and review the effectiveness of that engagement. Stakeholder mapping is now managed at an operational level with oversight by the Board. During 2021, independent investor and stakeholder perception studies were undertaken, the results of which were presented to and reviewed in detail by the Board. The results were overwhelmingly positive, but identified some action points, such as the need to increase resources available to the regional teams for engagement with local stakeholders. During 2022, we commissioned an external agency, Camargue, to assist with central and regional stakeholder strategies with a focus on central and local government.

Our Strategic Report outlines how we engage with our key stakeholders and how the Board complies with its obligations under Section 172 of the Companies Act (pages 39 to 42). When appraising projects and transactions, consideration of stakeholder interests is embedded into the Board's decision-making process, guided by our approval templates, which require commentary on the purpose of projects and their impact on our stakeholders. For example, prospective acquisition appraisals typically include a detailed planning promotion strategy, which explains how our teams will engage with local community stakeholders to seek to secure support for scheme proposals.

The Board recognises the importance of regular and open engagement with our investors. At the end of each year, the Board reviews and approves an investor relations plan for the following year. The Chief Executive, Chief Financial Officer and Head of Investor and Stakeholder Relations meet regularly with existing and prospective investors, and analysts, including after publication of the Company's full-year and interim results. The Chair also meets periodically with our largest shareholders. During the period, Harworth hosted several investor site visits, and in June 2022 held a Capital Markets Day for institutional investors and analysts, which comprised a presentation by members of the management team and a tour of several sites in the Midlands region. In October 2022, Lynda Shillaw and Kitty Patmore gave their first live presentation via the Investor Meet Company platform, which was open to all existing shareholders and potential investors giving them the opportunity to submit questions before and during the event. In addition, our Senior Independent Director and Remuneration Committee Chair engaged directly with our largest shareholders and several proxy advisers for their views and feedback on the proposed revisions to the Remuneration Policy.

Our Head of Investor and Stakeholder Relations reports to each Board meeting on investor engagement and feedback from the Company's brokers and both existing and prospective shareholders. He also reports on share price performance, trading volumes and material changes to the composition of the Company's share register. Copies of all notes prepared by analysts are shared with the Board. During the year, our existing shareholders remained highly supportive of our strategy, operational progress and management team, and we also welcomed a number of new investors, including a large institution which became one of our 10 largest shareholders upon entering the register. Aside from this new entrant, the top end of our shareholder register remained largely stable throughout the year.

The Company has a planned programme of announcements throughout the year to ensure that investors remain updated regularly on progress in the business. It also reports to the market on material operational milestones, in particular significant site acquisitions and disposals and progress with obtaining planning consents on Major Developments. The interim results and Annual Report, together with the www.harworthgroup.com website, are the Company's principal means of communication with all shareholders during the year.

Copies of all reports, shareholder presentations and communications are available on the investors' section of the website.

We are looking forward to holding our first partly virtual AGM in May 2023 (see further details at the end of this report). The meeting will be webcast live giving increased numbers of shareholders the opportunity to engage and participate by asking questions. There have been no material votes against recommended resolutions at recent AGMs. Wherever practicable, the Board seeks to ensure that shareholder views were canvassed in advance on any unusual or potentially controversial proposals. That said, if there were any significant votes against a proposal, the Board would take action to understand the reasons behind that vote and explain the same to shareholders, in line with the principles of the 2018 Code.

Conflicts of interest

Each Director can disclose actual or potential conflicts of interests, either by way of general notice or at the beginning of each Board or Committee meeting. The Articles of Association provide that the Board can authorise actual and potential conflicts of interest of Directors. Where actual or potential conflicts of interest arise, the relevant Director does not receive Board papers and is excluded from discussions and voting on the relevant subject matter.

Martyn Bowes is a Board representative of the Pension Protection Fund. The Board has approved any actual or potential conflicts of interest that arise as a result. No conflicts of interest arose in 2022.

Steven Underwood is Chief Executive of Peel Group and is an Executive Director of certain Peel Group companies which may deal with Harworth at an operational level from time to time and/or may pursue certain acquisition opportunities in competition with Harworth. Steven has previously declared by way of general notice, and the Board has approved, a potential conflict of interest in that regard. In Q4 2021 and extending to January

Statement of corporate governance continued

2022, Harworth entered a bidding process to acquire a strategic land site which Peel Group also targeted. This represented an actual conflict of interest for Steven and, as such, he did not have sight of any Board papers, and was not party to any discussions or decision making, on this matter.

External appointments

Upon appointment, each Director is required to notify the Company Secretary of their external board appointments, other significant commitments and any actual or potential conflict of interest. Where a Director proposes to take on additional external responsibilities, this is reviewed first by the Nomination Committee which, having considered the time commitment and potential conflicts of interest, makes a recommendation to the Board. The Board makes a final decision on all new external appointments.

The external appointments of each Board member are set out in the Director biographies on pages 82 to 85. The external appointments approved during the year are disclosed in the Nomination Committee Report on page 101.

Inductions

The Company Secretary oversees the delivery of a comprehensive and tailored induction programme for all new Directors, which includes:

- provision of a detailed induction pack ahead of appointments taking effect;
- briefings from the Chair, the Chief Executive, Chief Financial Officer, Chief Operating Officer, Chief Investment Officer and Company Secretary;
- a series of one-to one meetings with members of the Group Leadership Committee;
- site visits; and
- meetings with external advisers where relevant, such as the external auditors, remuneration consultants and the Company's valuers.

Knowledge of business and markets

To give constructive challenge and support to the Senior Executive, all Non-Executive Directors must maintain a good knowledge and understanding of Harworth's business and the markets in which it operates. To that end, the Board timetable typically includes:

- site visits, which help to improve knowledge and understanding of key projects and, at the same time, are an opportunity for Non-Executive Directors to get to know better our operational teams;
- annual health and safety updates from the head of our Risk and Compliance division (supplemented by monthly updates included in each Board pack); and
- regular updates from each of the regional and functional teams, focusing on progress against strategic objectives, markets and resourcing and including project-specific reviews.

Ongoing support and CPD

All Directors have access to the advice and services of the Company Secretary who also facilitates the continuous professional development ('CPD') of all Directors. To that end:

- external CPD briefings are made available to Directors, with a short synopsis prepared by the Company Secretary;
- external advisers host CPD workshops for the Board and Committees;
- the Company Secretary provides written and verbal updates to the Board and its Committees, as appropriate, on governance and regulatory changes;
- Directors are made aware of, and have the opportunity to attend, external CPD updates; and
- the Company Secretary shares with the Board a "horizon scanning tracker", which is prepared quarterly by our in-house legal team, principally for the Group Leadership Committee, and identifies forthcoming and anticipated legal changes which will or may impact Harworth's activities.

Division of responsibilities

There is a clear division of responsibilities between the Board, its Committees, and senior management at an operational level. During the period, we reviewed our delegated authorities framework and made some material changes to our Board Reserved Matters Policy and Operational Approvals Policy. These policies reserve certain matters for the Board and ensure that operational decisions are made at the most appropriate level in the business. The revisions we have made to our governance framework will support the Board in focusing on strategic proposals, whilst also giving it oversight of major operational projects which affect the long-term success of the business. The delegated authorities framework is subject to review annually, led by the Company Secretary and approved by the Board, to ensure that it keeps pace with Harworth's evolving business.

The Board has delegated certain responsibilities to the Remuneration, Audit, Nomination, ESG and Disclosure Committees. The terms of reference of those Committees are reviewed annually and appear on the website: https://harworthgroup.com/investors/governance/.

The Chief Executive has responsibility for proposing and then implementing the Company's strategy and leading the day-to-day management of the business, with the agreement of the Board on reserved matters. The Chief Executive appoints the Senior Executive, Investment Committee and Group Leadership Committee to support her in implementing the strategy. The Senior Executive comprises the Chief Executive, Chief Financial Officer, Chief Operating Officer, Chief Investment Officer and General Counsel and Company Secretary.

The key responsibilities of the Board, Committees and individual roles are summarised below and on the next page.

Board Committees

Audit Committee

- Reviews the integrity of the Group's Financial Statements and formal announcements on its financial performance, including reviewing financial reporting judgements contained within them.
- Advises the Board on whether the Group's Annual Report is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.
- Reviews the Group's operational risks, the effectiveness of the risk management system and of our internal controls and processes, and the internal audit programme.
- Reviews the independence and effectiveness of the external auditor and the internal audit function, and reviews the terms of appointment and remuneration of the external auditors and leads any tender process for their appointment.

See pages 106 to 112 for full report

Remuneration Committee

- Determines and agrees with the Board the Company's Remuneration Policy, ensuring alignment with purpose and strategy.
- Determines the salaries, bonuses, long-term incentive arrangements, pension arrangements, other benefits and contract terms of the Executive Directors and members of the Senior Executive.
- Monitors performance against bonus targets and long-term incentive underpins.
- Reviews workforce remuneration and related policies, and the alignment of incentives and rewards with that of the wider workforce.

See pages 115 to 133 for full report

The Board

Examples of matters reserved for the Board:

- Setting strategy and approval of annual budget and strategic plan. Oversight of the financial and operational performance and resilience of the business.
- Oversight of performance and reporting against our Sustainability Framework and NZC Pathway.
- Identification of, and review of measures to mitigate and manage, the Group's principal risks.
- Oversight of the appropriate regard by the Company for the interests of its stakeholders.
- Approval of accounts, valuations, financial reporting and dividends.
- Approval of underwriting proposals for all new projects and material changes to project plans, determined by appropriate financial thresholds.
- Approval of Board appointments; external appointments of Directors and the Senior Executive.
- Oversight of the people strategy including talent management, learning and development, and succession planning.
- New or material changes to senior debt facilities.
- Oversight of health and safety for all sites and projects.
- Oversight of IT strategy including cyber and information security.

Board Committees

Nomination Committee

- Reviews the size and composition of the Board to ensure a balance of skills, experience and knowledge on the Board and its Committees.
- Oversight of succession planning for the Board and Senior Executive.
- Leads the process for Board appointments.
- Oversight of progress in improving diversity across the business.

See pages 98 to 105 for full report

ESG Committee

- Oversees the Group's Sustainability Framework, including targets and KPIs.
- Oversees the development of, and progress against, the NZC Pathway.
- Reviews sustainability policies, processes and initiatives, and the measurement of progress towards sustainability targets.
- Oversees how all elements of the Sustainability Framework are reported in the Annual Report and other public reporting, and recommends any ESG disclosures to the Audit Committee.

See pages 113 to 114 for full report

Disclosure Committee

Ensures compliance with disclosure obligations under the Market Abuse Regulation, as it now applies in the UK pursuant to the legislation implemented to effect the UK's withdrawal from the EU, and the FCA's Listing Rules and Disclosure Guidance and Transparency Rules.

Statement of corporate governance continued

Management Committees

The Chief Executive has established the following Management Committees in pursuance of the authority delegated to her by the Board

Investment Committee

- Supports the Chief Executive in the formulation and implementation of the strategy.
- Responsible for decisions on capital allocation and deployment.
- Reviews all material projects and material departures from project plans including matters reserved for the Board before they are presented, where appropriate, for approval.
- Reviews the performance of the business against agreed operational and financial KPIs.

Group Leadership Committee

- Members of the Committee provide updates on each operating division and function.
- Ensures effective communication and collaboration between all operating divisions and functions sharing knowledge and experience, including site and project information, market intelligence, innovation opportunities and contacts.
- Discussion of strategic topics.
- Monitors the risk profile of the business.

Responsibilities of the Board and Senior Executive

Chair
Alastair Lyons

- Leads the Board and is responsible for its overall effectiveness by facilitating a culture of openness and debate.
- Ensures that Harworth has a defined purpose and clear values, strategy and objectives.
- Ensures the Board comprises diverse individuals with the necessary skills and experience to achieve the appropriate oversight of the Company's activities.
- Ensures that the Board receives regular reporting on performance.
- Ensures that Directors receive accurate, timely and clear information, and that there is adequate time available for discussion of agenda items and an effective decision-making process in place.
- Ensures there is ongoing and effective communication with shareholders, and that the Board engages appropriately with other key stakeholders.
- Ensures that the effectiveness of the Board is subject to annual evaluation, including an external evaluation every three years.

Chief Executive
Lynda Shillaw

- Leads on the formulation of Purpose and strategy which, once agreed by the Board, falls to the Chief Executive to implement and communicate effectively.
- Leads the establishment and maintenance of Harworth's culture and values.
- Responsible for the design of Harworth's operational structure.
- Oversight of operational risk management, including health and safety and system of internal controls.
- Responsible for formulation and implementation of Harworth's people strategy and for effective internal communications.
- Responsible for Harworth's relationships with shareholders, both actual and potential, and for effective engagement with key stakeholders.
- Responsible for ensuring the Group's strategy embeds ESG principles and objectives, including leading on the formulation of ESG targets.

Chief Financial Officer ('CFO')
Kitty Patmore

- Leads on all financial matters, including tax and treasury.
- Responsible for preparing the annual budget and strategic plan and the maintenance of regularly updated reforecasts of the Group's financial and operational performance.
- Responsible for all statutory financial reporting, including the preparation of the interim and year-end financial statements and Annual Report.
- Responsible for ensuring the adequacy of the Group's financial resources, formulating the Group's funding strategy and raising new equity and debt capital.
- Leads the monitoring of performance against the Company's ESG targets.
- Responsible for ensuring clear, effective, and timely measurement and reporting of financial and non-financial key performance indicators to the Board.
- Responsible for internal financial controls, systems and processes.

Chief Operating Officer ('COO')
Andrew Blackshaw

- Responsible for operational delivery by Harworth's regional teams.
- Ensures there are appropriate resources across the regional teams to implement the strategy and deliver the business plan.
- Leads on the delivery of our mixed tenure products across the portfolio.
- Jointly responsible, with the CFO and CIO, for ensuring that the regional teams work effectively alongside our finance and central support teams respectively.
- Jointly with the CIO, leads the half-year and year-end valuation process.

Chief Investment Officer ('CIO')
Jonathan Haigh

- Responsible for the expertise, support and resources provided by our Technical, Natural Resources and Asset Management teams to the regional teams.
- Responsible for management of our Investment Portfolio in accordance with our strategy, including strategic disposals and the entry of directly developed assets into the portfolio.
- Leads on portfolio and strategic acquisitions and projects.
- Oversight of the direct development programme across the portfolio.
- Jointly responsible, with the CFO and COO, for ensuring that the regional teams work effectively alongside our finance and central support teams respectively.
- Jointly with the COO, leads the half-year and year-end valuation process.

Responsibilities of the Board and Senior Executive

Senior Independent Director
Angela Bromfield

- Provides a sounding board for the Chair.
- Acts, where appropriate, as an interlocutor between the Chair and other Non-Executive Directors.
- Available to shareholders as an alternative point of contact.
- Leads the process for appointing a new Chair.
- Leads the annual appraisal of the Chair's performance.

General Counsel and Company Secretary
Chris Birch

- Secretary to the Board and some Board Committees.
- Ensures that all Board reserved matters are referred to the Board for review and approval.
- Advises on regulatory compliance and corporate governance.
- Prepares Board and Committee agendas and collates and distributes papers.
- Leads on arranging inductions for, and continuous professional development of, Directors.
- Responsible for governance, both at Board and operational levels, including non-financial internal controls, systems and processes.
- Leads on risk management.
- Leads the Risk and Compliance, Governance, Legal, Technology and Internal Audit teams.

Board and Committee meetings[1]

	Meetings Attended				
	Board	**RemCo**	**AuditCo**	**NomCo**	**ESGCo**
Alastair Lyons	10/10	4/4		1/1	4/4
Lynda Shillaw	10/10			1/1	4/4
Kitty Patmore[2]	9/10				3/4
Angela Bromfield	9/10	4/4		1/1	4/4
Ruth Cooke	9/10		5/5	1/1	
Lisa Scenna	10/10	4/4	5/5		
Patrick O'Donnell Bourke	10/10		5/5		
Steven Underwood	9/10				
Martyn Bowes	9/10				1/4
Marzia Zafar[3]	6/6				1/2

1 There were 10 scheduled Board meetings, including the Strategy Day, during 2022. There were also Board calls to sign off the trading statements and 2021 full-year results, and to approve certain transactions, which are not reflected in the table above.

2 Kitty Patmore went on maternity leave at the start of October 2021, returning to the business initially part-time in February 2022. Nigel Turner attended Board meetings as Interim Chief Financial Officer but was not appointed a statutory Director.

3 Marzia Zafar was appointed to the Board on 1 June 2022 and has attended all Board meetings since her appointment. She also observed the May Board meeting before she had been formally appointed.

Board and Committee papers are circulated not less than one full week prior to each meeting. The papers include: monthly reports from the Chief Executive, Chief Financial Officer, General Counsel and Company Secretary, Head of Investor and Stakeholder Relations and Head of Risk and Compliance; and quarterly reports from the Chief Operating Officer and Chief Investment Officer.

The Company Secretary maintains "Action Schedules" for the Board and each Committee, which record action points agreed at each meeting. These schedules, together with the minutes of each meeting, are reviewed by the Chair of the Board or the relevant Committee (as appropriate), made available to the Board or relevant Committee (as appropriate), and are subject to formal approval at the following Board or Committee meeting.

Composition, succession and evaluation

Board evaluation

2021/2022 Externally facilitated evaluation → **2022/2023 Internal review** → **2023/2024 Internal review** → **2024/2025 Next externally facilitated evaluation**

The Board undertakes annual evaluations of its effectiveness and of the contribution of individual Directors. The Company aspires to membership of the FTSE 250 and, as such, the Board considers it good practice to instruct an externally facilitated evaluation every three years, as prescribed by the 2018 Code for FTSE 350 companies.

Statement of corporate governance continued

In the final quarter of 2021, an external Board evaluation process was led by Ian White. Information about Ian and this external evaluation is included in the 2021 Annual Report on pages 98 and 99. Below is a summary of the recommendations from the evaluation and the actions taken during 2022 to implement them:

2021 internal evaluation

Theme	Actions agreed	Outcomes
Diversity	When succession planning, the Board should keep diversity, defined in its widest sense, as an area of focus and be open to recruiting a Non-Executive Director with different skills and experience.	The Board appointed Marzia Zafar as an additional independent Non-Executive Director on 1 June 2022. Marzia brings to Harworth a wealth of experience in sustainability and adds to the Board's diversity. See Marzia's biography on page 84, and see the Nomination Committee Report on page 99 for the process leading up to Marzia's appointment.
Board papers and debate	• The executive summary in Board approval papers should identify clearly the main factors for Board consideration and the action required. • Time should be scheduled at the end of each Board meeting for a short discussion reviewing the effectiveness of the meeting.	Alongside the review of the delegated authorities framework, changes were made to underwriting proposal templates, which include guidance on what to include in the executive summary. Each agenda sets aside time at the end of the meeting for the Board to review the quality of debate on the agenda items and the quality and effectiveness of Board papers and presentations supporting those items. For example, following the first regional update to the Board in 2022, it was considered that it would have been beneficial for the wider team to participate in the presentation alongside the Regional Director and this was implemented for the other regional updates during the year.
Material decisions	To track the effectiveness of its decisions, the Board should determine, at the end of each meeting, whether any material decisions should be revisited in the future.	As part of its brief review at the end of each meeting, the Board also considers whether any material decisions should be revisited in the future and, if so, when. During the year, as market conditions have evolved, the Board has re-appraised a number of projects and proposals including BTR project delivery, sales of investment properties and direct development.
Board meetings	The frequency and format of meetings and structure of the annual Board timetable to be reviewed regularly by the Chair, Chief Executive and Company Secretary to identify areas for Board and Committee efficiency.	Changes have been made to the annual Board and Committee timetable, including a reduction in the number of in-person Board meetings to be supplemented by Board calls where necessary. These changes will be implemented fully from 2024, with a transition in 2023 given that the 2023 timetable had already been established prior to agreeing the changes.
Engagement with stakeholders	As part of the stakeholder mapping exercise, there should be engagement with the Non-Executive Directors to understand how their relationships could support and strengthen further engagement with some external stakeholders.	Non-Executive Directors have continued to feed into stakeholder mapping and management which is undertaken at an operational level, particularly where existing relationships with local and central government can support stakeholder engagement.
Financial reporting and forecasting	Continuous improvement in financial reporting including enhancements to corporate modelling and longer-term financial forecasting.	• Significant enhancements have been made to Group financial modelling, which has enabled regular rolling reforecasts to be made available to the Board. • This has also underpinned the establishment of a Group Overview Tracker, which supports operational and Board appraisals of new, and changes to existing, projects by providing a clearer picture of their impact on Group forecast returns and capital deployment.

In Q4 2022, the Chair conducted an internal evaluation of the Board, its Committees and individual Directors. This took the form of an online questionnaire completed by all Directors and the Senior Executive. The responses were collated to inform one-to-one meetings between the Chair and each Director and member of the Senior Executive. The findings were reported to the Board in January, where it discussed a range of possible actions to enhance its effectiveness. It was determined that, due to time and resource constraints, there would need to be a phased implementation of proposals, and the Senior Executive would update the Board at its meeting in April 2023 with the priority actions to take forward during the year. The agreed actions will be set out in the 2023 Annual Report along with an update on progress made during the year.

An evaluation of the Chair's performance is led annually by the Senior Independent Director. The externally facilitated evaluation at the end of 2021 reported that the Chair was extremely effective with a collegiate approach, was respectful of both the Board and Harworth's people as a whole and understood the Chair/Chief Executive boundary well. For the 2022 internal evaluation, the Senior Independent Director met with our other Non-Executive Directors and the Senior Executive in early 2023 to review the Chair's performance. Following that review, the Senior Independent Director considered and discussed with the Chair the comments and feedback received from the Directors and was able to confirm that the performance of the Chair was considered effective and that he continued to demonstrate appropriate commitment to his role.

The Chair, taking into account the views of the other Directors, maintains an ongoing review of the performance of the Chief Executive.

The Chief Executive appraises the performance of the members of the Senior Executive twice a year. Similar appraisals are undertaken by Senior Executive members of the performance of their direct reports on the Group Leadership Committee.

Annual General Meeting

The Annual Report and Notice of AGM are sent to shareholders at least 20 working days before the meeting.

This year, we will be holding our first partly virtual AGM on Tuesday 23 May 2023 at 10:00 am with the meeting being webcast live. The AGM is a key date in the Board's calendar, and by making the meeting available online the Board hopes to increase levels of shareholder engagement by providing increased opportunity to pose questions to Board members.

For statutory purposes, the place of meeting will be The Bessemer Conference Room, AMP Technology Centre, Advanced Manufacturing Park, Brunel Way, Waverley, Rotherham S60 5WG. The Chair, Chief Executive, Chief Financial Officer and Company Secretary will be at this location, to meet with any shareholders who wish to attend in person, with other Directors joining online. Shareholders are encouraged to view the AGM online, please see the Notice of AGM for further detail on how to access the webcast facility. Questions can be submitted via this facility both during and in advance of the meeting. We strongly encourage shareholders to log on and submit any questions they might have in advance of the meeting, so that their views are heard even if they are unable to participate live.

Shareholders that view the AGM online will not be able to vote during the meeting but are encouraged to vote in advance. There are three ways to submit voting instructions before the meeting, which are available from the publication date of the Notice of AGM:

1. By completing and returning a paper proxy form as per the instructions on the form. Shareholders who elected to receive hard copy documents will receive a proxy form with the Notice of Meeting. Otherwise it is available from our registrars (see contact details on page 207);
2. By registering your proxy vote electronically via our registrar's website, www.sharevote.co.uk. Or, if you are registered, via the Shareview platform; or
3. Via the CREST or Proxymity system for those that are users of either platform.

The resolutions to be proposed at the AGM, together with the explanatory notes, appear in the separate Notice of AGM accompanying this Annual Report. Separate resolutions are proposed on each substantially separate issue. The Notice is also available on our website.

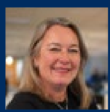
For each resolution the proxy appointment forms provide shareholders with the option to direct their proxy vote either for or against the resolution or to withhold their vote. All valid proxy appointments are properly recorded and counted. Information on the number of shares represented by proxy, the proxy votes for and against each resolution, and the number of shares in respect of which the vote was withheld for each resolution, together with the voting result, are given at the meeting and made available on the Company's website. A vote withheld will not be counted in the calculation of the proportion of the votes for and against a resolution.

This Statement of Corporate Governance was approved on behalf of the Board by:

Alastair Lyons
Chair

13 March 2023

Nomination Committee report



Committee members

Alastair Lyons (Chair)

Angela Bromfield

Ruth Cooke

Lynda Shillaw

Dear Shareholder,

I am pleased to report to shareholders on the work of the Nomination Committee during the year ended 31 December 2022. The report sets out the Committee's activities during 2022 and its priorities for 2023, which focus on reviewing Board and Committee composition and succession planning to ensure a balanced and diverse Board, as well as maintaining oversight of equity, diversity and inclusion across the business.

The Committee's terms of reference, which were reviewed and updated during the period, are available on the Company's website: https://harworthgroup.com/investors/governance/. Throughout 2022 the Committee acted in accordance with the principles of, and fulfilled its obligations under, the 2018 Code.

Membership and meetings

The Committee has four members. During the period I continued to Chair the Committee, and its other members were Angela Bromfield, Lynda Shillaw and Ruth Cooke. Ruth's appointment to the Committee took effect on 25 January 2022, following a recommendation to the Board to appoint an additional independent Director to the Committee.

In H1, the Committee led a recruitment process culminating in the appointment of Marzia Zafar as an additional independent Non-Executive Director on 1 June 2022. Marzia has joined our ESG Committee, and we are already benefiting significantly from the depth of her natural capital experience, in particular as regards the environmental and energy considerations of the Board.

Besides this, the Committee held one further meeting during the period to review succession and development planning for the Board and Senior Executive and to review the effectiveness of the initiatives in place to improve diversity throughout the business.

Membership and attendance at meetings in 2022 are shown below:

		Independent	Committee tenure at 31 December 2022	Scheduled meetings attended/eligible to attend
Alastair Lyons	Chair	Yes	4 years 10 months	1/1
Angela Bromfield	Member	Yes	3 years	1/1
Lynda Shillaw	Member	No	2 years 2 months	1/1
Ruth Cooke (joined the Committee in January 2022)	Member	Yes	11 months	1/1

The Committee’s key activities in 2022

The key activities of the Committee during 2022 are shown below:

Recruitment	Board composition and succession	Diversity	External appointments
Recruitment process leading to the appointment of Marzia Zafar			
Review of Board and Committee composition			
Review of succession plans for the Board and Senior Executive			
Annual review of time commitment of Non-Executive Directors			
Review of progress to improve diversity across the business			
Review of proposed external appointments for Lynda Shillaw and Lisa Scenna			

The Committee’s priorities for 2023

- Ongoing review of Board composition and succession planning for the Board and Senior Executive.
- Ongoing review of effectiveness of initiatives to promote equity, diversity and inclusion across the business.

Board and Committee composition and recruitment

The Board comprises the Chair, who is considered independent, the Chief Executive, the Chief Financial Officer and seven Non-Executive Directors, two of whom are not considered independent. Angela Bromfield continues in the role of Senior Independent Director (‘SID’).

The composition of the Board and its Committees is reviewed regularly by the Committee to ensure that, in each case, its membership provides appropriate diversity and balance of skills, knowledge, and experience and includes the right number of independent Directors. That review takes account of output from the annual Board evaluation. Informed by our 2021 external Board effectiveness review, which recommended that the Board remain open to recruiting a Non-Executive Director with different skills and experience, Marzia Zafar was appointed as an independent Non-Executive Director on 1 June 2022. The search process for Marzia’s appointment is outlined below:

Role brief	Longlist review	Interview	Recommendation
Informed by the recommendation from the 2021 external Board effectiveness review and the Committee’s review of the balance of skills, knowledge and experience on the Board, the Committee engaged Warren Partners to monitor the availability of potential candidates for the role of Non-Executive Director with a diverse background and expertise in sustainability. The Company does not retain Warren Partners in any other capacity and it has no other connection with the Company or individual Directors.	A number of relevant high-quality candidates were identified by Warren Partners, some of whom the Committee selected to be invited for interview.	The Committee undertook formal interviews to assess the candidates. Marzia was identified as a standout candidate given her extensive experience in sustainability (see below and in Marzia’s biography on page 84).	The Committee recommended the appointment of Marzia as an additional independent Non-Executive Director to the Board. The Committee reviewed any potential conflicts and significant time commitments prior to making this recommendation. **Induction** Marzia undertook a comprehensive and tailored induction programme following her appointment, details of which are set out in the Corporate Governance Statement on page 92.

Marzia brings to Harworth a wealth of experience in sustainability, having spent over 20 years working on policies and strategies to enable energy transition for regulators, business and not for profit sectors. Since joining the Board she has been appointed as Deputy Director of Strategy and Decarbonisation at Ofgem. Given this experience, Marzia also joined the ESG Committee on appointment. Whilst all appointments to the Board are based on merit, the appointment of Marzia is also a first step towards improving ethnic minority representation at Board level.

The appointment to the Board of someone with different experience is testament to the Board’s commitment to diversity and inclusion. Like all directors, Marzia has brought her unique approach and perspectives to Board discussion and analysis, thus contributing to the diversity of viewpoints factored into making Board decisions as part of the culture of openness and debate in the boardroom.

Nomination Committee report continued

The Committee considers that the composition of the Board is appropriately balanced, and we are proud of the gender balance we have achieved as well as taking steps to improve ethnic minority representation. Harworth confirms that, as of 31 December 2022, it had met the targets on Board diversity prescribed by the new Listing Rules (LR 9.8.6R(9) and LR 14.3.33R(1)), as follows:

Target	Our progress
At least 40% of individuals on the board of directors are women	**60% of our Board are women**
At least one of the following senior positions on the board of directors is held by a woman: • the chair; • the chief executive; • the senior independent director; or • the chief financial officer.	**Three out of four senior positions on the Board are held by women, as follows:** • **our Chief Executive, Lynda Shillaw;** • **our Senior Independent Director, Angela Bromfield; and** • **our Chief Financial Officer, Kitty Patmore.**
At least one individual on the board of directors is from a minority ethnic background	**One member of the Board is from a minority ethnic background**

Numerical data on the gender identity and ethnic background of our Board members and executive management as of 31 December 2022 is set out in the tables below. For this purpose, "executive management" refers to our "Senior Executive" and comprises the Chief Executive, Chief Financial Officer, Chief Operating Officer, Chief Investment Officer and General Counsel and Company Secretary.

Gender representation

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Male	4	40%	1	3	60%
Female	6	60%	3	2	40%
Non-binary	–	–	–	–	–
Other gender identity	–	–	–	–	–
Not specified/Prefer not to say	–	–	–	–	–

Ethnicity representation

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	9	90%	4	5	100%
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	1	10%	–	–	–
Not specified/Prefer not to say	–	–	–	–	–

The data for reporting against the Board diversity targets and numerical disclosures has been collected in two ways:

- For the Senior Executive, we have relied upon the existing data stored on our HR platform where employees report their preferred gender identity and ethnic group.
- The Non-Executive Board members, whose details are not held on the HR platform, were asked to complete a questionnaire and select their preferred gender identity and ethnic group in line with the categories in the tables above.

Analysis of diversity across the workforce is detailed later in this report. Further analysis of the composition of the Board (at the date of this report) is shown below. The Directors' biographies appear on pages 82 to 85.

Board

Composition	Male	Female	Age	Male	Female	Tenure	Male	Female
Chair	●		30–40 years		●	1–3 years	●	●●●
Exec Directors		●●	41–50 years	●	●●	3–6 years	●	●●●
Independent NEDs	●	●●●●	51–60 years	●	●●●	6–10 years	●	
Non-independent NEDs[1]	●●		61–70 years	●●		Over 10 years	●	

● One Director ● One Director

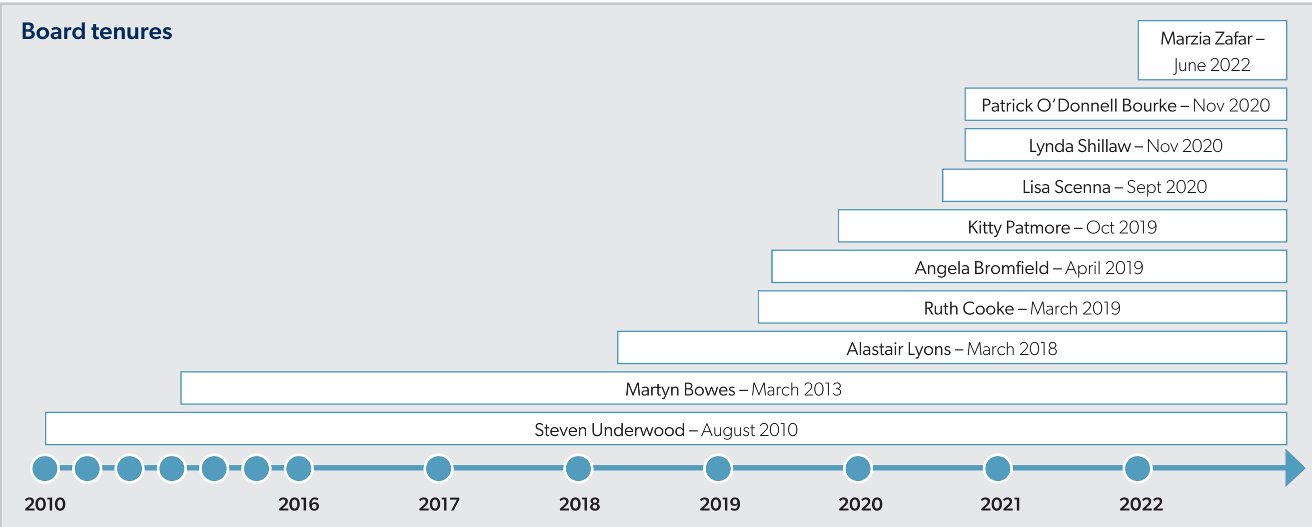
[1] Martyn Bowes is the representative of the Pension Protection Fund, and he is not, therefore, independent. Steven Underwood is employed by the Peel Group, which also has a material shareholding, and he is not, therefore, considered independent.

Membership of our Committees complies with the 2018 Code. The Non-Executive Directors have no financial or contractual interests in the Group, other than interests in ordinary shares as disclosed in the Directors' interests section of the Directors' Remuneration Report at page 133.

Board succession

During the period, the Committee undertook a review of the succession plans for Executive and Non-Executive Directors. Given that the Committee had focused on refreshing the Board significantly over the previous three years, coupled with the appointment of Marzia Zafar, this was a relatively light review.

The timeline below shows the tenure of each of our Directors.



External appointments

The Committee reviews all proposals for external appointments of Executive and Non-Executive Directors. Before making a recommendation to the Board, the Committee considers the time commitment required by the proposed appointment and its likely impact on the prospective appointee's commitment to their role at Harworth, together with the prospect of conflicts of interest arising. The Board makes a final decision on all new external appointments.

During 2022, the Committee reviewed the proposed appointments of: Lynda Shillaw, as Chair of the SYMCA Innovation Board; and of Lisa Scenna, as a Board member of one of Dexus's fund management platforms (based in Australia), and as a Non-Executive Director of Gore Street Energy Storage Fund plc. Those appointments were recommended to, and approved by, the Board. The external appointments of Lisa Scenna are expected to become effective following the signing of this Annual Report, and a regulatory announcement will be made about the latter when it takes effect.

Nomination Committee report continued

Senior Executive

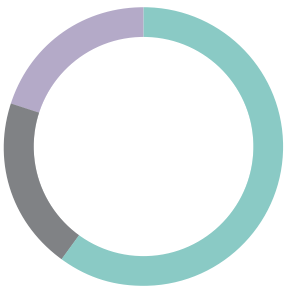
Succession plans are in place for each member of the Senior Executive and those plans are reviewed regularly (typically annually) by the Committee. Talent management and succession planning for the whole business is considered annually by the Board.

In addition to the tables on page 100, further analysis of the composition of the Senior Executive (at the date of this report) is shown below.

Age

- 30–40 years **1**
- 41–50 years **2**
- 51–60 years **2**

Tenure



- 1–3 years **3**
- 3–6 years **1**
- 6–10 years **1**

Diversity, inclusion and equal opportunities

The Board recognises the benefit of a diverse (in its widest sense) Board and workforce comprising individuals with different backgrounds, experience, perspectives and ideas. In common with much of the real estate and construction sectors, achieving that objective remains a challenge, but we are committed to it.

The Committee takes the lead in monitoring the effectiveness of the initiatives we have introduced to improve diversity, and the progress made. A review is undertaken annually, with the results reported to the Board. A summary of measures established in 2022 and in previous years is set out on the following page. A key element of those initiatives was the adoption of a new Equality, Diversity and Inclusion ('ED&I') Policy, which has a wider remit than the previous Diversity and Equal Opportunities Policy (adopted in 2018) with the objective of increasing emphasis on inclusivity and culture. Our ED&I Policy formalises our commitment to making Harworth a diverse and inclusive organisation, which welcomes a range of perspectives, ideas and approaches. With this Policy, and supporting initiatives, we aim to find and nurture the best talent, as well as increase employee engagement and retention, all of which are essential in achieving our strategy and the delivery of long-term sustainable success.

We have published our gender pay gap statistics since 2017 despite our not being obliged to, as the Board feels it is important to have a transparent benchmark against which to measure our progress. We publish the same analysis again in respect of 2022 here, alongside the comparative results for 2021.

Gender pay gap analysis

In each case the reference point is 31 December.

Proportion of men and women in each quartile pay band

		Males	Females
Lower quartile	**2022**	**41%**	**59%**
	2021	43%	57%
Lower middle	**2022**	**62%**	**38%**
	2021	61%	39%
Upper middle	**2022**	**62%**	**38%**
	2021	65%	35%
Upper quartile	**2022**	**83%**	**17%**
	2021	87%	13%

Gender Pay Gap Reporting	2022	2021
Mean gender pay gap	**18%**	16%
Median gender pay gap	**27%**	34%
Mean bonus gender pay gap	**24%**	(4)%
Median bonus gender pay gap	**69%**	67%

Whilst we believe that our gender pay gap is a function of historic trends across the property and construction sectors, this does not diminish the importance of, or the Board's commitment to, reducing it as quickly and effectively as we can.

Given that our workforce is relatively low in number, notwithstanding a substantial increase in percentage terms during 2022, our gender pay gap statistics can move significantly due to a small number of changes and/or the impact of a senior leaver or joiner. In percentage terms, there was substantial growth in the Group's workforce in 2022 to support our growth strategy, from 92 to 116, an increase of 26%. These changes had a significant impact on all quartile bands, including on their boundaries and composition. The reported data is also affected by other factors, such as the timing of recruitment during the year. This makes it challenging to draw meaningful comparisons between the gender pay gap data for 2021 and 2022.

By way of example, the mean gender pay gap and mean bonus gender pay gap is adversely affected by the inclusion of a full-year's salary and bonus paid to a cohort of senior males hired partway through 2021. By way of further example, the males recruited to more senior roles in 2022 joined in the first half of the year, meaning (under the rules of our discretionary bonus scheme) they were entitled to a 2022 bonus, whilst the females recruited to more senior roles in 2022 joined in the second half of the year, meaning (under the rules) they were not entitled to a 2022 bonus. This has adversely affected the mean bonus gender pay gap.

However, we can identify that the gender pay gap for 2022 joiners was higher than the employee population as a whole, partly due to the timing of recruitment within the year but also because a higher number and proportion of females were hired into roles in the lower quartile pay band, whilst a higher number and proportion of males were appointed into the upper middle and upper quartile pay bands. This highlights that, whilst we are proud of the female representation on our Board and in the two most senior Executive roles, we must continue our efforts to accelerate gender rebalancing across the wider senior leadership team.

Promoting a diverse workforce

The Committee reviews and oversees the implementation of initiatives to promote diversity and inclusion across the business. The following measures, some of which have been long-established, are designed to ensure that opportunities for recruitment, development and promotion are available to everyone, regardless of background or personal circumstances:

Measures previously established

- Diversity is an active and important consideration in the Committee's succession plans for the Board and Senior Executive: this is evident from appointments to both Executive and Non-Executive roles on the Board in recent years.
- Whilst appointments will always be based on merit, Harworth is committed to giving everyone, regardless of gender, ethnicity, sexuality or background, every opportunity to apply for, and be appointed to, roles across the business and, as such, the desire to encourage diversity is a prominent consideration when we are recruiting for all roles. To that end, the requirement for diversity is a precondition of candidate long-lists prepared by recruitment consultants where possible.
- Hybrid Working and Core Business in Core Hours policies, which recognise the benefits of different working patterns and practices to accommodate the different personal commitments of our employees. These policies open up roles to a wider range of internal and external candidates regardless of their personal circumstances. They are accompanied by hybrid working training for all employees, as well as a risk assessment to ensure our staff are fully supported in working remotely.
- Market leading maternity, adoption and paternity leave and pay policies. We are proud of our progressive stance in this area.
- A number of employees work part-time, whether that be a reduced number of days or reduced hours every day.

Measures established in 2022

- Adoption of a new ED&I Policy. The launch of this Policy included interactive, drama-based ED&I training for all employees.
- The Board supported a new Talent and Learning & Development Strategy, which, amongst other things, is designed to create strong internal succession wherever appropriate.
- A new Menopause Policy was introduced recognising an employer's role to support sensitively this potentially distressing life stage. We also have a certified menopause champion.
- We have extended our reach through different talent pools by providing apprenticeship schemes and internship placements. We have also partnered with local schools, academies, colleges and universities taking part in careers events and providing other support. For example, three MSc students worked with our Yorkshire and Central planning team as part of their dissertations.
- We have improved the collection of diversity data on our HR platform. Employees are not obliged to share personal information, but where they do, it helps the Company to monitor better diversity in its workforce and to make assessments against a baseline.

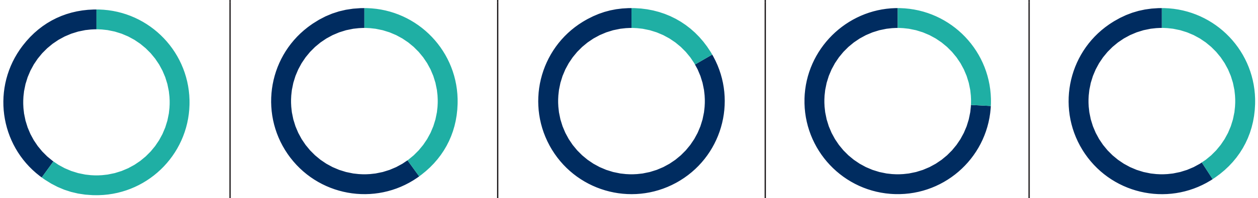
Nomination Committee report continued

Assessing the diversity of our workforce

For consistency, where comparisons are given between 2022 and 2021, in each case the position reflected is at 31 December. At 31 December 2022, the total headcount was 116 employees.

Although the gender and ethnic diversity balance of the Board and Senior Executive is set out on page 100, it is displayed again below in the context of the whole workforce.

Gender balance



Board

	2021	2022
Female	5	6
Male	4	4

Senior Executive Team

	2021	2022
Female	2	2
Male	3	3

Investment Committee

	2021	2022
Female	2	2
Male	7	10

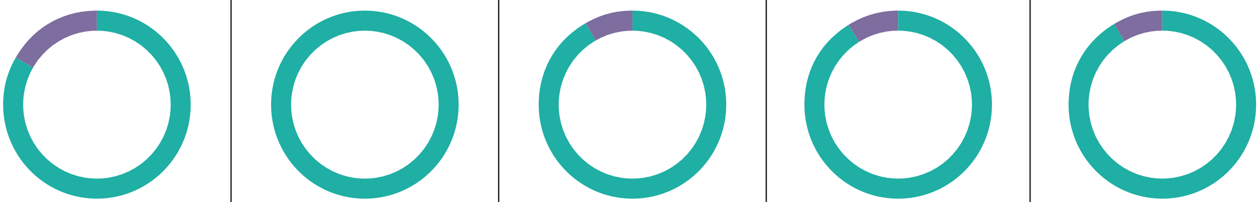
Group Leadership Committee

	2021	2022
Female	5	6
Male	13	17

Wider workforce[1]

	2021	2022
Female	28	38
Male	42	55

Ethnic diversity balance



Board

	2021	2022
White	9	5
Ethnic Minority	–	1

Senior Executive Team

	2021	2022
White	5	5
Ethnic Minority	–	–

Investment Committee

	2021	2022
White	9	11
Ethnic Minority	–	1

Group Leadership Committee

	2021	2022
White	18	21
Ethnic Minority	–	2

Wider workforce[1]

	2021	2022
White	67	85
Ethnic Minority	3	8

Recruitment into new roles

Promotions

Recruitment into replacement roles

1 Excludes the Group Leadership Committee.

Gender diversity

We are pleased to have achieved gender balance on the Board and proud that our business is led by female Executive Directors, demonstrating our commitment to gender representation at the most senior level. Nevertheless, we recognise that more work is needed to accelerate gender rebalancing across the wider Group Leadership Committee and workforce. We are hopeful that the examples set by our Chief Executive and Chief Financial Officer will send a positive signal to female employees and external candidates for roles at Harworth such that gender diversity across the business continues to improve.

Ethnic diversity

It is pleasing to see that, as the number of employees has increased during the period, so too has the representation of employees from an ethnic minority background. However, we are mindful that, whilst we have made a start with regard to ethnic diversity in the business, including on the Board and Group Leadership Committee, we have much further to go in this regard. Following the appointment of a new Group Resources and Transformation Director in September 2022 who has responsibility for the people strategy, and the Committee's continued oversight of diversity and inclusion, we hope to improve the figures year on year.

It is important to stress that, whilst our desire to improve diversity will be a consideration in decisions on recruitment and promotion, selection continues to be based on merit and ability.

Equal opportunities for all

Since Harworth's formation in 2012 we have been committed to creating a working environment that is free from discrimination, harassment and victimisation, where everyone feels valued and respected. This includes:

- promoting equality and fairness for all in our employment;
- making reasonable adjustments for disabled employees and giving full and fair consideration to disabled applicants for roles in our business; and
- providing equal opportunities for continuing professional development and promotion within our business to any disabled employees.

Annual General Meeting

All Directors are subject to annual re-election by shareholders. The Directors' biographies appear on pages 82 to 85. The Committee has concluded that all Directors seeking re-election continue to be effective and to demonstrate commitment to their role. They have the requisite skills, knowledge and experience to continue to discharge their duties effectively.

The Board considers that each Director provides valuable input to the operation of the Board and that their contribution is important to the Company's long-term sustainable success, bringing a diverse range of skills from different sectors and experience. As such, on the recommendation of the Committee, the Board considers it appropriate to propose the re-election of all Directors at the AGM to be held on 23 May 2023. I will be available at the meeting to respond to any questions or discuss matters relating to the Committee's activities.

Alastair Lyons
Chair of the Nomination Committee

13 March 2023

Audit Committee report

Committee members

Patrick O'Donnell Bourke (Chair)

Ruth Cooke

Lisa Scenna

Dear Shareholder,

I am pleased to report to shareholders on the work of the Audit Committee during the year ended 31 December 2022. The report sets out the Committee's responsibilities and highlights its activities during 2022 and its priorities for 2023.

The Committee's terms of reference, which were reviewed and updated during the year, are available on the Company's website: https://harworthgroup.com/investors/governance/. Throughout 2022 the Committee acted in accordance with the principles of, and fulfilled its obligations under, the 2018 Code and had regard to the FRC's Guidance on Audit Committees.

Membership and meetings

There were no changes to Committee membership, which continued to comprise three independent Non-Executive Directors. I chaired the Committee, and its other members were Ruth Cooke and Lisa Scenna.

The experience of each member of the Committee is summarised on pages 83 to 84. The Board is satisfied that I have recent and relevant financial experience. I am also Chair of the Audit Committee of Pantheon Infrastructure PLC, an investment trust focused on international infrastructure assets. I was previously Chair of the Audit and Risk Committee of Calisen plc, which was then a constituent of the FTSE 250, as well as Chair of the Audit Committee of Affinity Water Limited. My most recent executive position was that of Group Finance Director for John Laing Group plc. I am a chartered accountant, and so too are Ruth Cooke and Lisa Scenna. The Board is also satisfied that the Committee has competence relevant to the sectors in which the Company operates, given that I have extensive experience in infrastructure investment and management, Lisa Scenna has a strong background in real estate development and asset management, and Ruth Cooke is the Chief Executive Officer of a business operating in the real estate sector.

The Chief Executive, Chief Financial Officer and external auditors normally attend Committee meetings. The Chair of the Board and other members of senior management, including the Head of Internal Audit who joined the Company in January 2023, are also invited to attend, as appropriate. The Head of Internal Audit also has a direct reporting line to the Committee.

In performing its duties, the Committee has access to the services of the General Counsel and Company Secretary and, if required, external professional advisers.

During 2022, there were five scheduled meetings of the Committee. Attendance at meetings in 2022 is shown below:

		Independent	Committee tenure at 31 December 2022	Meetings attended/ eligible to attend
Patrick O'Donnell Bourke	Chair	Yes	2 years 2 months	5/5
Ruth Cooke	Member	Yes	3 years 10 months	5/5
Lisa Scenna	Member	Yes	2 years 2 months	5/5

The key activities of the Committee during 2022 and its priorities for 2023 are shown below :

February
- Review of 2021 year-end valuations
- Initial review of going concern analysis
- Review of movements in year-end provisions
- Review of draft of 2021 results RNS
- Review of draft of 2021 Annual Report and Financial Statements
- Effectiveness of risk management system and internal controls
- Further assurance programme and assessment of need for internal audit function
- Review of procedures for detection of fraud and prevention of bribery
- Review of treasury policies and recommendation thereon to the Board
- Review of tax strategy and policy

March
- Updated going concern analysis
- External audit of 2021 accounts
- 2021 results and recommendation to the Board
- 2021 Annual Report and Financial Statements
- Review of whistleblowing reports and approval of new "Speak Up" policy and procedure

June
- 2021 audit de-brief and review of external auditor's appointment (without external auditor present)
- Areas of focus for 2022 interim results
- Annual review of appointments of valuers and appointment of valuer for the half-year valuations
- Potential BTR transaction accounting treatment
- Establishment of internal audit function and update on (outsourced) internal audit activities
- Annual tax update
- Approval of new Operational Approvals Policy
- Approval of revisions to Gifts & Entertainment Policy
- Briefing on the government's response to UK audit and corporate governance reforms

September
- Feedback from external auditor (without management present)
- Review of 2022 half-year valuations
- Going concern analysis
- Review of movements in provisions at the half year
- External auditor's report on 2022 interim results
- 2022 interim results and recommendation to the Board
- Risk management update
- Update on (outsourced) internal audit activities
- Update on recruitment for role of Head of Internal Audit
- Review of updated Business Continuity Plan ('BCP')
- Review of preparatory work for the government's audit and corporate governance reforms

November
- 2022 interim results de-brief and review of external auditor's appointment and fees (without external auditor present)
- Planning for 2022 external audit
- 2023 insurance programme renewal
- Update on (outsourced) internal audit activities
- Report on audit of subsidiary management companies
- Review of auditor of subsidiary management companies
- Review of cyber and information security activities and workstreams (2022/2023)
- Annual review of GDPR compliance
- Annual review of Committee's terms of reference
- Committee CPD seminar

Key
- Financial reporting
- External audit
- Internal audit
- Risk management and internal controls
- Governance

Audit Committee report continued

The Committee's priorities for 2023

- Review reporting of 2022 full-year results and 2023 interim results including going concern and viability analysis and significant financial judgements by management.
- Oversee and appraise external audit undertaken by Ernst & Young LLP ('EY').
- Monitor the profile of the Group Risk and Assurance Map ('GRAM') and effectiveness of the risk management system.
- Oversee establishment of new internal audit function, approve internal audit plan, and monitor the effectiveness of internal controls via updates from internal audit function.
- Continue to oversee the preparatory work for the government's audit and corporate governance reforms.
- Review the appointment of the Group's valuers.
- Review results of BCP desktop test
- Oversee the 2024 insurance programme renewal.
- Monitor the maturity of the Group's cyber and information security systems, including GDPR compliance.

Financial reporting

The Committee reviews the contents of the full-year results, Annual Report and interim results and makes a recommendation to the Board for their approval. Ahead of the interim and full-year results announcements and publication of the Annual Report, the following processes are followed by the Committee to satisfy itself as to the integrity of the statements and disclosures contained therein, and to ensure that all financial reporting is fair and balanced and provides an understandable assessment of the Company's position and prospects:

Reports from management	Valuations	External audit	Going concern
Reports from management include a detailed explanation of valuation assumptions and movements, commentary on provisions, and analysis of movements in the balance sheet and cash position.	• The Committee Chair (and other Committee members if available) attends the half-year and year-end valuation review meetings in conjunction with the Company's valuers, external auditors and management team. • The valuers attend Committee meetings ahead of publication of the interim and full-year results to explain valuation methodology and processes, comment on market conditions, and take questions from Committee members. • Valuation experts from EY also attend those Committee meetings to explain the work they have undertaken in reviewing the half-year or year-end (as appropriate) valuations, and to take questions from Committee members.	• In June each year, the Committee reviews the plan and timetable for the procedures the external auditor will undertake in respect of the interim results. This includes acceleration of some year-end audit work. In September and/or November each year, the Committee examines the full year-end external audit plan and timetable before detailed audit work commences. • The Committee reviews the external auditor's report on the work it has undertaken for the interim and full-year results. The lead audit partner attends Committee meetings to take questions from Committee members. • The Committee meets the external auditor annually independently of management, ensuring it has full visibility of matters that have been the subject of particular scrutiny by the external auditor and/or discussions between it and management. • For the 2022 audit, there were no specific areas the Committee asked the external auditor to look at beyond those identified in the audit plan.	• The Committee receives early sight of going concern analyses. • The Committee reviews the long-term viability and going concern assessments prepared by management and the Directors' responsibility statements (including the assumptions underpinning them) and recommends to the Board their adoption.

The Committee also reviews drafts of the interim and Annual Reports in advance of their publication and comments thereon. As part of these reviews, and following recommendation by the ESG Committee, the Committee reviews disclosures relating to climate change, including for SECR and TCFD reporting.

In addition, the Committee reviews the controls in place to ensure the completeness and accuracy of the Company's financial records. As part of this, as in previous years, for the 2022 results the Committee noted (i) the reviews undertaken during preparation of the Annual Report and Financial Statements by various internal and external parties, including the external auditor and valuers, to ensure consistency and balance; and (ii) the internal verification exercise undertaken in respect of the financial and operational metrics referred to in the Strategic Report and Directors' Report.

As part of the Committee's review of the Group's material internal controls (see page 111), it considered, concluded, and recommended to the Board that the disclosures in, and the process and controls underlying the production of, the 2022 Annual Report, are appropriate to enable the Committee to determine that the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The Board's conclusions in this regard are set out in the Statement of Directors' Responsibilities on page 138.

Significant reporting issues considered by the Committee for the 2022 financial statements

Valuation of the property portfolio

The property portfolio accounts for the vast majority of the Group's total assets. This portfolio includes investment property, development property, assets held for sale, overages, owner-occupied properties and joint ventures. Whilst the portfolio continues to be valued by independent external valuers, BNP Paribas and Savills, in accordance with the Royal Institution of Chartered Surveyors Valuation – Professional Standards, these valuations include a significant degree of judgement. The key judgements within the external valuations are as follows:

a. the future intention and plans for the properties/site;
b. value per acre;
c. future rental amounts and financial stability of tenants;
d. future rental yields;
e. applicability and availability of comparable sales evidence;
f. anticipated risk of delivery of a site's masterplan; and
g. costs to bring sites forward for sale or development.

The valuation of the Group's property portfolio lies at the core of its financial reporting and the Committee has a particular duty to ensure it is reported in a fair, balanced and understandable manner.

Audit Committee report continued

At both the half-year and the year-end, the Committee reviewed the reports prepared by the external valuers and challenged them on methodology, market conditions, assumptions and judgements underlying the disclosures in the consolidated balance sheet. In its review, the Committee noted the additional uncertainty given the changing market conditions against which the valuation exercise was undertaken. The Committee also took into account the work carried out by the external auditor's valuation team and overall is satisfied that the relevant balances are appropriately stated in the financial statements.

Going concern and viability

These are addressed in the Long-Term Viability Statement (pages 36 to 38) and the Statement of Directors' Responsibilities (pages 138 to 139), and also in the Notes to the Financial Statements (page 160). Management prepared forecasts on several bases: a base case; a sensitised forecast that reflected a number of severe but plausible downsides; and a specific climate change scenario case. The outputs, which were reviewed in detail and discussed by the Committee, project that the Group can continue to operate with available liquidity and banking facilities under plausible downside scenarios. The Committee is satisfied that the disclosures in the financial statements on going concern and long-term viability are appropriate.

Alternative Performance Measures ('APMs')

Harworth continues to believe that the use of APMs alongside statutory measures is essential in communicating the performance and position of the Group to its stakeholders. Note 2 to the Financial Statements sets out a full reconciliation of APMs to statutory measures.

The Committee reviewed the appropriateness, prominence and consistency of the APMs disclosed.

External audit

The Committee is responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor. Following a tender process undertaken by the Committee in 2019, details of which were included in the 2019 Annual Report, EY was appointed as the Company's external auditor by shareholders at the 2020 AGM. The external auditor's appointment is subject to annual review by the Committee, the last of which took place in June 2022 at the same time as the Committee reviewed the effectiveness of the 2021 year-end audit.

Having reviewed:

- the independence and objectivity of the external auditor, including consideration of potential conflicts of interest and of any non-audit work undertaken for the Company (for 2022 see analysis on the next page);
- the effectiveness of the last external audit;
- the quality control processes that the external auditor has in place, including any regulator's public comments on the same;
- the quality of the audit team, including the experience of the audit partner and team and its capacity;
- the quality of the audit through feedback from the management team;
- the proposed scope of the audit; and
- the quantum of fees payable for the audit (see further analysis below),

the Committee is recommending the re-appointment of EY at the forthcoming AGM for the external audit of the Company's financial statements for the year ending 31 December 2023.

The Board recognises the importance of safeguarding auditor objectivity and takes the following steps to ensure that external auditor independence is not compromised:

- the Committee reviews the audit appointment annually;
- the Company has a policy that, save for audit-related services (such as regulatory and statutory reporting, and work relating to any circulars required by the Listing Rules) and exceptional circumstances (but only with the Committee's prior approval), the external auditor will not provide non-audit services to the Group;
- the Group retains Deloitte to provide advice and assistance on most tax matters and pension accounting. KPMG is retained to advise on tax matters relating to some of the Group's joint venture agreements;
- the Committee reviews on a regular basis all fees paid for both audit and non-audit activity, with a view to assessing the reasonableness of fees, value of delivery, and any independence issues that may have arisen or may potentially arise in the future. An analysis of all audit and non-audit fees paid in 2022 is shown on the next page; and
- the Committee reviews the external auditor's report to the Directors and the Committee confirming its independence in accordance with auditing standards.

Whilst EY audits the accounts of the main subsidiary entities in addition to those of the Company and the Group consolidation, BHP, a regional chartered accountancy firm, audits the accounts of certain Group management companies and joint venture companies. The Committee receives a report each year from BHP on its audit of the management companies, and at the same time reviews BHP's appointment.

Analysis of audit and non-audit fees

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Audit fees		
Fees payable to the external auditor and its associates for the audit of:		
The Company and the consolidated financial statements	**330**	315
The Company's subsidiaries pursuant to legislation	**42**	30
Non-audit fees		
Fees payable to the external auditor and its associates for other services	**–**	–
	372	345

Risk management and internal controls

Risk and internal controls framework

The Board has overall responsibility for risk and has delegated to the Committee the responsibility for overseeing the effectiveness of the Group's risk management and internal control systems. An explanation of the Group's risk management framework, including the work undertaken by the Board to identify and review the Group's principal risks, the Directors' appetite for each of those risks, and the adequacy of the measures in place to mitigate them, is set out in the "Effectively managing our risk" on pages 43 to 53.

Central to the Group's risk management system is the GRAM: a register of the Group's principal and operational risks grouped into 10 risk categories each with a series of sub-risks. Each sub-risk has its own risk and assurance map, which identifies internal risk owners and "champions" and incorporates commentary on the risk, risk scores, mitigation measures, key risk indicators, established Board assurance activity and management's proposals for further assurance activity. Those proposals form the basis for a 36-month rolling internal audit programme (Internal Audit Programme, see below).

The Committee reviews the GRAM biannually as part of its assessment of the effectiveness of the Group's risk management and internal controls framework. When reviewing the GRAM, the Committee focuses on the measures management have implemented and/or are planning to implement to mitigate each risk and the adequacy of the assurance afforded to the Board to determine the effectiveness of those measures.

Ahead of publication of the year-end results and Annual Report, management presents a detailed assessment of the effectiveness of the Group's principal financial, operational and compliance controls, which is supported by the outputs from the Internal Audit Programme during the year, data on key risk indicators and a wider review of the latest iteration of the GRAM.

The Committee is satisfied that the risk management and internal controls systems in place, and the assurance regime for the same described below, are effective to support delivery of the Group's strategy. Informed by the Committee's recommendation, the Board's assessment of the effectiveness of those systems can be found on page 44.

Internal audit

The GRAM informs the Internal Audit Programme. In early 2022, the Committee approved a programme of further assurance activity for the year ahead, which was predominantly outsourced to KPMG. Further assurance activity completed during 2022 included audits of: the project to establish the Group's new CRM and acquisitions tracking platform and its subsequent operation; certain HR systems and processes; supplier payments; a new Operational Approvals Policy; and a new electronic document execution process. The outputs of these reviews were reported to the Committee at meetings in late 2022 and early 2023. Overall, no significant control issues were identified although some process and control improvements were recommended, the majority of which have been adopted and have been or are being implemented.

In previous years, the Committee has taken the view that the structure of, and processes within, the business were neither sufficiently large, nor complex, to merit an internal audit function. However, when undertaking its latest annual review, the Committee formed the view that the increase in pace, scale and complexity of activity needed to deliver the Group's strategy did necessitate the establishment of an internal audit function. During 2022 Q3, a Head of Internal Audit was recruited and she joined the Company in January 2023. Going forward, the Head of Internal Audit will be responsible for designing and delivering the Internal Audit Programme. The Committee will review the Internal Audit Programme in November each year and approve activity for the following 12 months. However, the programme will remain flexible to changing assurance needs during the year and the outputs from internal audit activity will be reported to the Committee throughout the year.

The establishment of this function is part of the Group's preparatory work for the implementation of the government's audit and corporate governance reforms.

Audit Committee report continued

Business continuity

The Group's BCP underwent a review in H2 2022 and the Committee was kept appraised during the process. The BCP was updated to reflect recent significant operational changes in relation to technology and organisation structure, to transform the plan into a more user-friendly tool, and to broaden its use for both localised and severe incidents. A test of the BCP was undertaken successfully, and the results presented to the Committee, in early 2023.

Insurance

The Committee had oversight of the 2023 insurance programme renewal, challenging management both on the overall programme and on individual aspects of the renewal. Real estate insurance market conditions remained broadly unchanged during 2022 albeit there have been some signs of softening into 2023 as the market reacts to macroeconomic conditions. Following another year of low claims and a rigorous renewal process, further improvements in pricing have been secured, notwithstanding inflationary increases in reinstatement costs.

Whistleblowing/Speak Up

The Committee has responsibility for reviewing and monitoring the Group's whistleblowing policy and procedures, and the appropriate investigation of whistleblowing reports. The Committee undertook its annual review of the Group's policy and procedures in March 2022 and approved the introduction of an external "Speak Up" platform, which offers employees and external stakeholders another means of reporting concerns (on a confidential basis if preferred) alongside the Group's existing internal reporting mechanisms.

There was one report made to the Speak Up platform in 2022, which was investigated, albeit that report constituted, and was treated as, a grievance rather than whistleblowing.

Compliance

The Committee is responsible for monitoring the effectiveness of, and compliance with, the Group's policies and procedures for combating modern slavery, bribery and corruption, and preventing the facilitation of tax evasion.

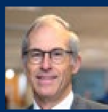
The Company's 2022 Modern Slavery Statement can be found on our website at https://harworthgroup.com/investors/governance/, together with our policies on anti-corruption and bribery and anti-facilitation of tax evasion.

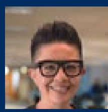
I will be available online at the AGM to respond to any questions relating to the Committee's activities.

Patrick O'Donnell Bourke
Chair of the Audit Committee

13 March 2023

ESG Committee report





Committee members

Angela Bromfield (Chair)

Alastair Lyons

Martyn Bowes

Marzia Zafar

Lynda Shillaw

Kitty Patmore

Dear shareholder,

I am pleased to report to shareholders on the work of the Environmental, Social and Governance ('ESG') Committee during the year ended 31 December 2022. This report sets out the Committee's activities during the year and its priorities for 2023.

Given our purpose to transform land and property into sustainable places where people want to live and work, Harworth has a long-standing approach to ESG and an ongoing commitment to sustainability, which is embedded in the Group's strategy, culture, values, and operations. This was progressed in 2021 with the establishment of the ESG Committee to provide oversight of, and guidance on, the Group's Sustainability Framework, practices and reporting. Peter Henry, formerly one of our Regional Directors, was appointed as Director of Sustainability in H1 2022. Peter's appointment, together with his passion for sustainability and deep knowledge of the business, has resulted in a step change in the work carried out on behalf of the Committee. During 2022, the Committee focused on the development of the Group's Sustainability Framework through the expansion of the Harworth Way (see further on pages 64 to 77) and the principles of the Company's NZC Pathway (see further on page 67). The Committee will focus on reviewing progress in these areas in 2023.

As the commercial and regulatory landscapes continue to evolve in response to climate change, social considerations and corporate responsibility, we remain committed to evolving our approach and ensuring we have a sustainable business that delivers for all stakeholders.

The Committee's terms of reference, which were reviewed and updated during the period, are available on the Company's website: https://harworthgroup.com/investors/governance/.

Membership and meetings

I Chair the Committee, and its other members are Alastair Lyons, Lynda Shillaw, Kitty Patmore, Martyn Bowes and Marzia Zafar. Marzia joined the Committee on 1 June 2022 following her appointment to the Board as an independent Non-Executive Director. Marzia's contribution is greatly welcomed, as she brings to Harworth a wealth of experience in sustainability, having spent over 20 years working on policies and strategies to enable energy transition for regulators, business and not for profit sectors.

ESG Committee report continued

The Committee meets at least quarterly and meetings are also attended by our Director of Sustainability. There were four Committee meetings during the year and membership and attendance at those meetings is shown below:

		Independent	Committee tenure at 31 December 2022	Meetings attended/ eligible to attend
Angela Bromfield	Chair	Yes	1 year 9 months	4/4
Alastair Lyons	Member	Yes	1 year 9 months	4/4
Martyn Bowes	Member	No	1 year 9 months	1/4
Lynda Shillaw	Member	No	1 year 9 months	4/4
Kitty Patmore[1]	Member	No	1 year 9 months	3/4
Marzia Zafar[2]	Member	Yes	7 months	1/2

1 Kitty Patmore went on maternity leave at the start of October 2021, returning to the business initially part-time in February 2022. Nigel Turner attended Committee meetings in her absence as Interim Chief Financial Officer but was not formally appointed to the Committee.

2 Marzia Zafar was appointed to the Committee following her Board appointment on 1 June 2022.

2022 key activities

During the year, the Committee:

- Oversaw the development of the Group's Sustainability Framework with the expansion of the three impact pillars of the Harworth Way: Planet, Communities and People. The Harworth Way model and focus areas for each impact pillar have been updated and expanded during the year to form the foundation of the Group's Sustainability Framework, as set out on pages 64 to 77.
- Oversaw the development of the Group's NZC Pathway following the commitment we made in 2021 to reach Net Zero Carbon on Scope 1, Scope 2 and some Scope 3 emissions by 2030, and on the balance of Scope 3 emissions by 2040. This included review of the Group's present and planned carbon emissions in the context of our business strategy. The Group undertook a detailed assessment of our build standards and potential emissions and energy requirements for our commercial and residential buildings alongside our role as master developer. The NZC Pathway sets defined targets and will be updated annually. The Pathway has been published alongside this Annual Report and can be found on the Company's website.
- Reviewed investor feedback and comments on ESG following the 2021 year-end and 2022 interim results announcements.
- Reviewed and recommended for approval to the Remuneration Committee the ESG metrics and targets to be incorporated into the 2022 annual bonus scheme for all employees.
- Reviewed and recommended for approval to the Audit Committee the Group's sustainability disclosures in the 2021 Annual Report and 2022 interim results announcement.

2023 priorities

The Committee's priorities for 2023 include working with the Senior Executive, Director of Sustainability and wider business to:

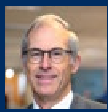
- Continue to ensure alignment between our ESG commitments and the Group strategy with a focus on addressing Harworth's medium and longer-term ESG impacts.
- Continue to determine measurable targets across the three impact pillars of the Harworth Way, and monitor and review performance against the same.
- In particular, we intend to focus on the "Communities" pillar in 2023 and develop and implement a methodology for social value assessment.
- Review the effectiveness of the implementation of the Harworth Way principles as part of day-to-day operations.
- Implement, monitor progress against, and update the NZC Pathway on an annual basis.
- Report on our Scope 3 emissions from 2023 onwards.
- Develop further our sustainability disclosures through enhancing the breadth and depth of our environmental and social data collection, enabling us to provide a more comprehensive and quantitative assessment of risks and opportunities.

I will be available online at the AGM to respond to any questions or discuss matters relating to the Committee's activities.

Angela Bromfield
Chair of the ESG Committee

13 March 2023

Directors' remuneration report



Committee members

Angela Bromfield (Chair)

Alastair Lyons

Lisa Scenna

The Committee's priorities for 2023

- Operation of 2023 annual bonus, including setting targets to ensure Executive Directors and the wider workforce are incentivised to deliver against financial KPIs and strategic priorities
- Ensure our ESG goals continue to be reflected appropriately in our reward framework
- Grant of 2023 Restricted Share Plan awards
- Approve grant of options for SAYE scheme and Share Incentive Plan awards
- Continue to keep wider workforce remuneration under review in the context of current high inflation and the competitive market for talent

Dear shareholder,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2022, describing how we implemented our Remuneration Policy (the 'Policy') in 2022 and how we intend to apply the Policy in 2023.

Our Policy was approved by shareholders at the 2022 AGM. A summary of the Policy is provided within this Report on pages 119 to 121. A copy of the complete Policy can be found on our website at: https://harworthgroup.com/investors/governance/.

Performance outcomes for 2022

Management has continued to make significant operational progress against our ambitious growth strategy, despite macro-economic headwinds in the second half of the year, increasing levels of direct development, accelerating land sales and completing targeted acquisitions. In doing so, they have effectively protected the business against a substantial downturn in the industrial & logistics market and navigated uncertainty in the residential market. The Group's Total Return was 0.1% and EPRA NDV only declined marginally, representing strong performance compared to the wider real estate sector.

Lynda Shillaw's and Kitty Patmore's bonus opportunity for 2022 was 125% and 100% of salary respectively based on a combination of financial measures (50% of the opportunity), strategic measures (30% of the opportunity), ESG measures (5% of the opportunity) and personal objectives (15% of the opportunity).

Taking into account performance against these measures, the Committee approved a bonus outcome equal to 62.5% of maximum (which equates to 78.1% of salary and 62.5% for Lynda Shillaw and Kitty Patmore respectively). Full details are set out on pages 126 to 129.

The Committee believes that the level of bonus outcome is appropriate in the context of the shareholder experience and the positive management actions that created value during the year, albeit that the material reversal in markets in the second half of 2022 resulted in the inability to realise any outcome against the Total Return element of the bonus.

The average bonus outcome for eligible employees (excluding the Executive Directors) was 81% of their maximum entitlement.

Reward for the wider workforce

All our people contribute to the achievement of the Group's long-term success. When making decisions in respect of the Executive Directors therefore, the Committee considers the reward arrangements for, and views of, the wider workforce.

Directors' remuneration report continued

We want the interests of our people to be strongly aligned with our shareholders and the overall performance of the business. We actively support and encourage employee share ownership across the Group, so that our employees may share in the success of the business. We have extended RSP participation such that 55% of employees were granted an RSP award in 2022 and have increased the RSP opportunity for all participants.

We have also increased the annual value of Free Shares awarded under the all-employee Share Incentive Plan, awarding all eligible employees £3,600 of Free Shares in 2022, being the maximum amounted permitted under UK tax legislation, and we have also introduced offers of Partnership and Matching Shares for eligible employees. As we believe strongly in the value to the business of increasing general employee share ownership we intend, subject to affordability, to continue to award Free Shares to eligible employees on an annual basis at the maximum amount permitted, and to continue to offer Partnership and Matching Shares.

The Board is acutely aware of the cost-of-living crisis and has sought to provide support to employees where the burden is most challenging. We, therefore, agreed a one-off non-contractual payment of £2,000 in December 2022 to all employees (excluding the Senior Executive).

The average salary increase for the wider workforce is 8% (effective from 1 January 2023). Salary increases were tapered with higher increases (in % of salary terms) awarded to lower paid employees.

The Company holds an Employee AGM, which forms part of a wider programme of formal and informal employee engagement by the Board, providing a platform for employees to discuss a range of topics with the Board, including executive and wider workforce remuneration.

Implementation of the Policy for 2023

Base salary

Lynda Shillaw and Kitty Patmore were each awarded a 5% salary increase with effect from 1 January 2023. This compares to an average salary increase of 8% for the wider workforce.

Performance related annual bonus

The Committee disclosed its intention in the 2021 Directors' Remuneration Report to increase the 2023 annual bonus opportunity for Lynda Shillaw from 125% to 150% of salary and for Kitty Patmore from 100% to 125% of salary, subject to the performance of both the Executive Directors and the Group. This was part of phased increases over a two-year period (2022 and 2023) under our Policy. The Committee considers that both the Executive Directors and the Group have continued to deliver strong operational performance in the context of a clear and well articulated strategy and that these second stage bonus increases should, therefore, be confirmed.

50% of the bonus opportunity will be based on financial measures (Total Return, acquisitions, and capital management), 25% on strategic measures (broadening the range of mixed tenure products and increasing the scale of direct development), 10% on ESG measures and 15% on personal objectives. See page 122 for details. Performance targets are considered to be commercially sensitive at this point in the year, but they will be fully disclosed in the 2023 Annual Remuneration Report.

The prevailing macro-economic and geopolitical uncertainty makes it very difficult to forecast how markets and property valuations may move during 2023. Through the annual bonus, we want to reward the effectiveness of management in acting positively to create value. The Committee has, therefore, this year specifically reserved discretion, both positive and negative, to adjust the formulaic vesting outcome of the Total Return measure if there are material movements in our underlying markets which have not been projected within our business plan for 2023, being the basis on which bonus targets are set. There would be full disclosure in the 2023 Directors' Remuneration Report of any discretion applied.

33% of any amount earned by Lynda Shillaw and 20% of any amount earned by Kitty Patmore will be deferred into shares for two years. The higher level of deferral for Lynda Shillaw reflects that she is awarded a higher bonus opportunity.

Restricted Share Plan award

RSP awards will be granted to Lynda Shillaw and Kitty Patmore at 75% of salary. In accordance with our Policy, the number of shares under the RSP awards will be determined by reference to the share price following the announcement of the 2021 annual results, being £1.787, rather than the share price at the time the awards are granted. Based on the share price at 28 February 2023 (£1.23) this means that the face value of the 2023 RSP awards at grant is expected to be 28% lower compared to the 2022 RSP awards. Granting RSP awards based on a fixed share price further aligns the Executive Directors with shareholders given that the face value of awards is reduced where the share price has depreciated as it has over the past year. Lynda Shillaw and Kitty Patmore will, therefore, be granted 185,791 and 136,611 shares respectively. Given our approach to determining the number of shares, the Committee considers there to be sufficient protection against windfall gains.

Time horizons as regards vesting and holding periods and performance underpins are the same as the 2022 RSP awards. See page 123 and 130 for further details.

Chair and Non-Executive Directors

The Chair's and Non-Executive Directors' base fees and additional fees for acting as Senior Independent Director and chairing Committees will be increased by 5% with effect from 1 January 2023.

Conclusion

We remain committed to a responsible approach to executive pay, as I trust this Directors' Remuneration Report demonstrates. We believe that the Policy operated as intended in respect of the 2022 financial year and consider that the remuneration received by the Executive Directors was appropriate, taking in the round the Group's performance during 2022, their personal performance, and the experience of shareholders and employees.

Angela Bromfield
Chair of the Remuneration Committee

13 March 2023

Annual Remuneration Report

This part of the Directors' Remuneration Report describes how we implemented our Policy in 2022 and how we intend to apply the Policy in 2023. Our Policy was approved by shareholders at the 2022 AGM. A summary of the Policy is provided on pages 119 to 121. A copy of the complete Policy can be found on our website at: https://harworthgroup.com/investors/governance/.

The Annual Remuneration Report will be subject to an advisory vote by shareholders at the 2023 AGM.

Role of the Remuneration Committee

The role of the Committee is to determine and recommend to the Board the Remuneration Policy for the Executive Directors and set the remuneration for the Executive Directors and Senior Executive team. The Policy is designed to support the Group's strategy and help attract, retain, and incentivise a Senior Executive team with the requisite skills, knowledge and experience to deliver strong, long-term, sustainable value growth for shareholders. The table below describes how the Committee addressed the factors in Provision 40 of the 2018 UK Corporate Governance Code when determining the Policy.

Alignment to strategy and culture	The Committee is focused on ensuring a healthy culture exists across the entire Group and believes that the Executive Directors and wider Senior Executive team set the standards for behaviour and conduct across the Group. Bonus awards are focused on Group performance to foster collective accountability and deliver a consistent reward structure across all levels of management. The Group financial and strategic performance measures ensure that the extent to which bonuses are earned reflects the delivery of our strategy for the benefit of shareholders. The application of ESG measures and personal objectives enables us to incentivise and reward a culture that will underpin longer-term success. Our RSP reflects our core principles of alignment with our shareholders and rewards long-term value creation in a cyclical business, whilst also supporting retention through the market cycle.
Clarity and simplicity	A core reward principle of our Policy is to operate a simple and transparent framework, which can be readily cascaded. The remuneration framework is made up of three key elements: fixed pay (including base salary, pension and benefits); annual bonus; and our long-term incentive, the RSP. The structure is simple to understand for both participants and shareholders and promotes both near-term achievement and long-term stewardship.
Risk	Annual bonus opportunities are set so as to reflect the long-term nature of our business and at levels which reward high performance, but do not encourage inappropriate business risk. The Committee has discretion to reduce vesting outcomes under the annual bonus and RSP where it considers that they would not otherwise be representative of the underlying business performance over the vesting period. Annual bonus and RSP awards are also subject to malus and clawback provisions.
Proportionality and fairness	A significant proportion of an Executive Director's reward is linked to performance through the incentive framework, with a clear line of sight between performance against the selected measures and the delivery of long-term shareholder value. Performance measures and the underlying targets for the annual bonus are reviewed by the Committee each year to ensure that they are directly aligned with the Group's strategic priorities, and targets are calibrated to reward Executive Directors for strong performance. Vesting under the RSP is phased over a five-year period, with one-third vesting after three years, one-third after four years and one-third after five years. The holding period means that participants cannot acquire shares until the end of a five-year period, aligning their interests with those of shareholders for the longer term. Executive Directors are also required to build material shareholdings in the Group (200% of base salary). A post-cessation shareholding requirement applies, which ensures that their interests are aligned with those of the Group for two years post-cessation of employment. Through the Share Incentive Plan and SAYE scheme we encourage and enable material long-term share ownership for all employees, further supporting both alignment with shareholders and the long-term nature of our business and its returns.
Predictability	The range of possible rewards to individual Executive Directors is set out in the scenario charts on page 123.

Directors' remuneration report continued

Committee membership and attendance

Membership and attendance at meetings in 2022 are shown below:

		Independent	Committee tenure at 31 December 2022	Scheduled meetings attended/eligible to attend
Angela Bromfield	Chair	Yes	3 years 9 months	4/4
Alastair Lyons	Member	Yes	4 years 10 months	4/4
Lisa Scenna	Member	Yes	2 years 4 months	4/4

During the year, the Committee held four scheduled meetings. The key activities of the Committee during 2022 are shown below:

January	• Approval of changes to the Remuneration Policy • Approval of 2022 bonus measures and targets
February	• Assessment of 2021 bonus outcomes for the Senior Executive (in the context of bonus outcomes for wider workforce) • Assessment of the vesting of the first tranche of the 2019 RSP awards • Approval of 2022 salary increases for the Senior Executive (in the context of salary increases for wider workforce) • Approval of 2022 RSP awards • Approval of 2022 SAYE awards and SIP awards
October	• Market update on remuneration trends and corporate governance developments • Approval of 2022 new joiner RSP awards • Review Committee terms of reference • Review effectiveness of Committee advisers
December	• Review 2023 bonus measures and targets

The Committee's terms of reference, which were reviewed and updated during the period, are available on the Company's website: https://harworthgroup.com/investors/governance/. Throughout 2022 the Committee acted in accordance with the principles of, and fulfilled its obligations under, the 2018 Code.

Advisers to the Committee

The Company Secretary is secretary to the Committee. The following individuals may be invited to attend Committee meetings to provide advice and to support the Committee to make informed decisions:

- Chief Executive;
- Chief Financial Officer;
- Group Resources and Transformation Director; and
- representatives of Deloitte LLP (see further below).

No individuals are involved in decisions relating to their own remuneration. The minutes of Committee meetings are circulated to all Directors, where appropriate.

During the year under review, the Committee received advice on executive remuneration matters from Deloitte LLP (Deloitte). Deloitte was appointed by the Committee on 18 October 2018 as its independent adviser following a competitive selection process. Deloitte is a founder member of the Remuneration Consultants Group and, as such, voluntarily operates under its Code of Conduct in relation to executive remuneration matters in the UK. The Committee has satisfied itself that Deloitte provided objective and independent advice during 2022.

Deloitte's fees in relation to remuneration advice provided to the Committee during 2022 were £42,650 plus VAT, charged on a time and expenses basis. Deloitte also provided advice to the Group during 2022 in relation to corporate tax, pensions and share plans. The Committee did not consider that these engagements impaired Deloitte's independence.

Shareholding voting and engagement

The table below shows the results of votes at the Harworth Group plc Annual General Meeting on 24 May 2022 on the resolutions relating to the approval of the Annual Remuneration Report and Remuneration Policy.

	Votes				
	For and discretion	For and discretion as a percentage of votes cast	Against	Against as a percentage of votes cast	Withheld
Approval of Annual Remuneration Report	277,179,940	97.13	8,191,420	2.87	237,262
Approval of Remuneration Policy	261,511,584	91.58	24,043,640	8.42	53,398

The Committee maintains a regular dialogue with its major shareholders. In late 2021 and early 2022, we conducted a shareholder consultation regarding the Policy. Responding to feedback received, the Committee strengthened the post-employment shareholding guidelines that apply to Executive Directors.

The Committee will continue to monitor trends and developments in corporate governance, market practice and shareholder views to ensure the structure of executive remuneration remains appropriate.

Summary of the Policy and how it will be implemented in 2023

Executive Directors

Element	Operation and performance metrics	Opportunity	Implementation for 2023
Base salary	Base salaries are ordinarily reviewed annually, with reference to: salary levels for similar roles at comparable companies; individual contribution to performance; and the experience of the Executive.	Salary increases will generally be in line with the range of increases awarded to salaried employees (in percentage terms). In exceptional circumstances (including, but not limited to, a material increase in job size or complexity) the Committee has discretion to make appropriate adjustments to salary levels to ensure they remain market competitive.	Lynda Shillaw and Kitty Patmore were each awarded a 5% salary increase with effect from 1 January 2023. This compares to an average salary increase of 8% for the wider workforce. Salary from 1 January 2023: • Lynda Shillaw: £442,680 • Kitty Patmore: £325,500
Pension	All Executives are either members of the Group pension scheme or receive a cash pension allowance. Salary is the only element of remuneration that is pensionable.	Aligned with the contribution rate available to the majority of the wider workforce (currently 10% of salary).	Company contribution and/or cash pension allowance equal to 10% of salary for both Executive Directors.
Benefits	Executives receive benefits which consist primarily of the provision of a car allowance, private medical cover and life insurance although can include any such benefits that the Committee deems appropriate, and the Company may make a payment in respect of any associated tax liability where the Committee considers this to be appropriate.	The monetary value of benefits varies by role and individual circumstances: eligibility and cost is reviewed periodically. The Committee retains the discretion to approve a higher cost in appropriate circumstances (e.g. relocation) or in circumstances where factors outside the Company's control have changed materially (e.g. increases in insurance premiums).	Benefits will include car allowance, private medical cover, life insurance and the use of a chauffeur service for business travel and commuting.

Directors' remuneration report continued

Element	Operation and performance metrics	Opportunity	Implementation for 2023
Annual bonus	The scheme is based on a combination of financial performance and personal and/or strategic performance objectives. At least 50% of the bonus opportunity is based on financial measures. No more than 20% of the bonus opportunity will be based on personal objectives. The Committee has discretion to amend the pay-out should any formulaic outturn not reflect the Committee's assessment of overall business performance or if the Committee considers the formulaic outturn is not appropriate in the context of other factors considered by the Committee to be relevant. If the maximum bonus opportunity exceeds 100% of salary, up to one-third of any amount earned (not only the proportion earned above 100% of salary) will be deferred into shares in the Company for two years. Dividend equivalents may be paid on vested shares based on dividends paid during the deferral period. Such amounts will normally be paid in shares.	Maximum opportunity of up to 150% of base salary in respect of a financial year. For financial metrics, up to 10% of maximum may be earned for threshold performance and up to 50% of maximum may be earned for target performance with 100% of maximum earned for meeting or exceeding the maximum performance level. For performance between threshold and target and between target and maximum the vesting profile will be determined by the Committee taking into account the stretch in the targets. Vesting of the bonus in respect of strategic performance or personal objectives will be between 0% and 100% based on the Committee's assessment of the extent to which the relevant metric or objective has been met.	The maximum opportunity for Lynda Shillaw and Kitty Patmore will be 150% and 125% of salary respectively. 50% of the bonus opportunity will be based on financial measures (Total Return, acquisitions and capital management), 25% based on strategic measures (broadening the range of mixed tenure products and increasing the scale of direct development), 10% based on ESG measures and 15% based on personal objectives. See note 2 on page 122. 33% of any amount earned by Lynda Shillaw and 20% of any amount earned by Kitty Patmore will be deferred into shares for two years.
Restricted Share Plan ('RSP')	Annual awards will be made in the form of conditional share awards or nil-cost options. Vesting is phased over a five-year period, with one-third vesting after three years, one-third after four years and one-third after five years, although all vested shares must be held to the end of year five. The extent to which a tranche of an award vests may be reduced by the Committee if a performance underpin assessed to the end of the financial year preceding the date of vesting is not achieved. In addition, the Committee may reduce the extent to which a tranche vests if it believes this better reflects the underlying performance of the Company over the relevant period. Dividend equivalents may be paid on vested shares based on dividends paid during the holding period. Such amounts will normally be paid in shares.	For Executive Directors in office at the date of the 2022 AGM (the date that the Policy was approved) the maximum RSP award: • in respect of 2022 was 75% of salary, converted into a number of shares by reference to the average mid-market closing share price for the five trading days immediately following the announcement of the Company's annual results for 2021 (£1.787) (the 2022 Price); and • in respect of future years, will be 75% of salary converted into a number of shares by reference to the 2022 Price, provided that the grant in respect of any future year may not exceed 112.5% of salary or be less than 37.5% of salary calculated by reference to the market value of a share at the date the relevant award is granted. For any Executive Director appointed after the date of approval of this Policy, the maximum RSP award in respect of any financial year is an award over shares with a market value determined by the Committee at the time the award is granted of up to 112.5% of salary.	RSP awards will be granted to Lynda Shillaw and Kitty Patmore at 75% of salary. The number of shares under the RSP awards will be determined based on the 2022 Price. Therefore, Lynda Shillaw and Kitty Patmore will be granted 185,791 and 136,611 shares respectively. Vesting will be phased over a five-year period, with one-third vesting after three years, one-third after four years and one-third after five years. All vested shares must be held to the end of year five, resulting in a total time horizon of five years for all three tranches. The RSP awards will be subject to performance underpins which take into account the Group's financial health, the underlying performance of the business relative to the real estate market and the quality of corporate governance over the vesting periods. See note 3 on page 123.

Element	Operation and performance metrics	Opportunity	Implementation for 2023
Share Incentive Plan ('SIP') and Save As You Earn scheme ('SAYE')	These plans are reviewed annually and, if offered, are offered to all eligible employees in accordance with their terms and applicable legislation.	Limits are set in accordance with the relevant legislation.	The Executive Directors will participate in the SIP and SAYE scheme on the same terms as the wider workforce.
Shareholding guidelines	Within employment: Executive Directors are required to build up a holding equivalent to 200% of base salary. Until the relevant shareholding levels are achieved, 50% of any shares vesting under the RSP or deferred bonus (post payment of tax) are required to be held. Post-employment: For the first 12 months following cessation, an Executive Director must retain such number of "relevant shares" as have a value (as at the point of cessation) equal to the within employment guideline (200% of base salary), with that requirement tapering down to 0% over the following 12 months. If the Executive Director holds less than the required number of "relevant shares" at any time, they must retain the "relevant shares" they hold.		As at 31 December 2022, Lynda Shillaw and Kitty Patmore held shares equal to 92% and 75% of salary respectively (based on the mid-market closing share price on 30 December 2022 (£1.06)).

Note 1: recovery provisions

The annual bonus and RSP awards are subject to malus and clawback provisions as follows:

- any bonus paid in cash may be recovered for up to two years following payment;
- a deferred bonus award may be reduced or cancelled during the two-year deferral period; and
- a tranche of an award under the RSP may be cancelled (if shares have not been delivered to satisfy it) or recovered from a participant (if shares have been delivered) up to the second anniversary of vesting.

Malus or clawback may be applied in the event of misconduct, material financial misstatement, error in calculation of outcomes, material failure of risk management and internal controls, a significant health and safety event or environmental incident, conduct leading to financial loss or reputational damage, unreasonable failure to protect the interests of employees and customers, material corporate failure, material breach of banking covenants or an unauthorised breach of the Group's internal gearing policy, or in any other circumstance that the Committee considers appropriate.

Directors' remuneration report continued

Note 2: annual bonus performance metrics

Measure	Weighting (% of bonus opportunity)
Financial measures	
Total Return	25%
Acquisitions[1]	15%
Capital management	10%
Subtotal	50%
Strategic measures	
Accelerating the delivery and broadening the range of mixed tenure products	12.5%
Increase in scale of direct development	12.5%
Subtotal	25%
ESG measures	10%
Personal objectives	15%
Total	100%

1 Both direct freehold acquisitions and option agreements to purchase the freehold at a future date will contribute to acquisitions performance. The value of option agreements will be based on the minimum future capital commitment required to exercise the option agreements. For the avoidance of doubt, the minimum future capital commitment which contributes to 2023 acquisition performance will not count towards performance against acquisition targets for future years (i.e. there will be no double counting).

Bonuses may be scaled back at the discretion of the Committee if a formulaic application of the performance metrics and resulting vesting outcome is not supported by underlying financial and operational performance. Bonuses may also be scaled back and/or subject to claw back in the event of any of the following:

- misconduct;
- material financial misstatement;
- a material breach of banking covenants or unauthorised breach of internal gearing policy;
- an error in calculation of outcomes;
- a material failure of risk management and internal controls;
- a significant health and safety event or environmental incident;
- conduct leading to financial loss or reputational damage;
- an unreasonable failure to protect the interests of employees and customers;
- a material corporate failure; or
- in any other circumstance that the Committee considers appropriate.

The Committee will also have discretion to amend the bonus outcome if it is not reflective of underlying financial and operational performance, or of the experience of shareholders or employees.

The prevailing macro-economic and geopolitical uncertainty makes it very difficult to forecast how markets and property valuations may move during 2023. Through the annual bonus, we want to reward the effectiveness of management in acting positively to create value. Therefore, the Committee has this year specifically reserved discretion, both positive and negative, to adjust the formulaic vesting outcome of the Total Return measure if there are material movements in our underlying markets which have not been projected within our business plan for 2023, being the basis on which bonus targets are set. There would be full disclosure in the 2023 Directors' Remuneration Report of any discretion applied.

Performance targets are considered to be commercially sensitive at this point in the year but they will be fully disclosed in the 2023 Annual Remuneration Report.

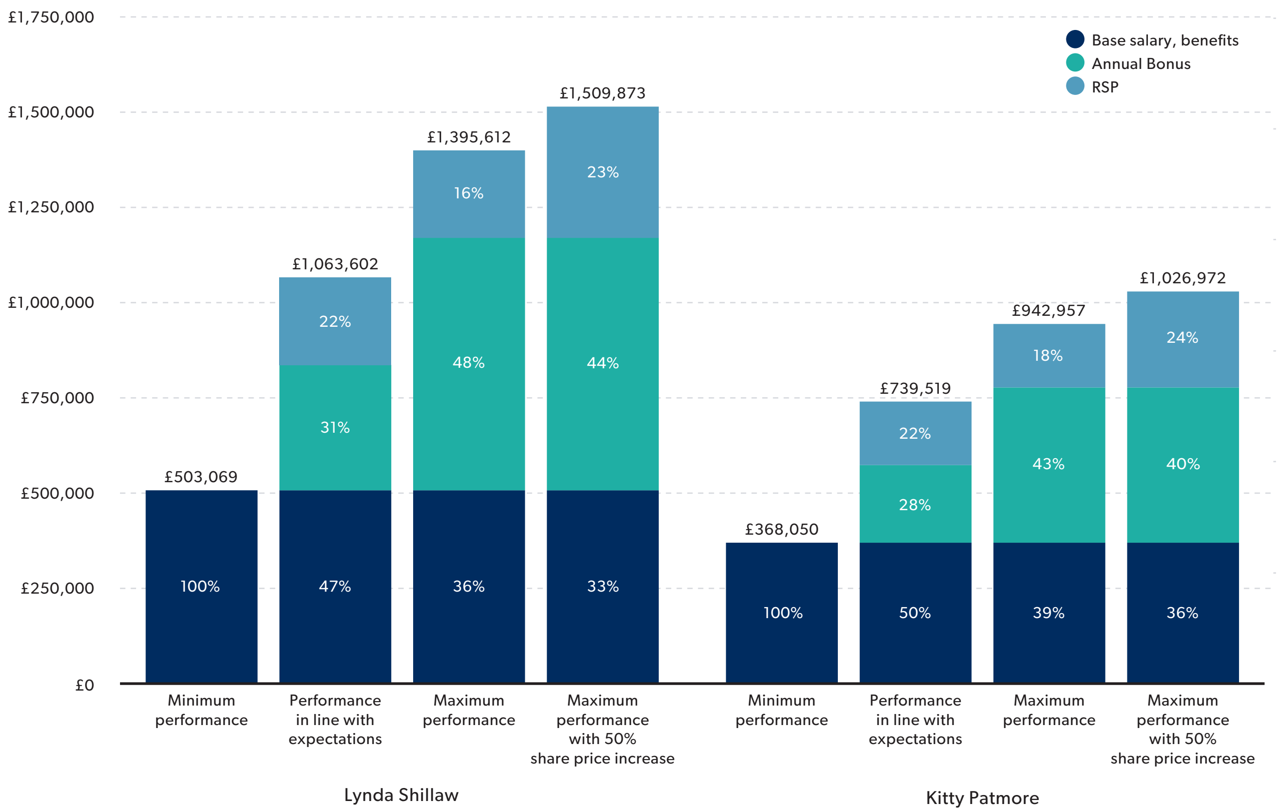
Note 3: RSP award underpins

Performance underpin	Description	Detail
Financial health	Financial stability of the business	A breach of financial covenants in the Group's principal banking facilities.
Underlying performance	Sustainability of the Group's underlying performance in the cyclical real estate sector	A material deterioration in the Group's underlying performance which departs significantly from any deterioration across the real estate sector including, but not limited to, by reference to share price, dividend and/or EPRA NDV.
Corporate governance	Avoidance of governance and health and safety failures	A material failure in governance or an act resulting in significant reputational damage and/or material financial loss to the Group. This includes giving consideration to any successful prosecutions in relation to health and safety.

Pay for performance scenarios

The charts below provide an illustration of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of remuneration under three different performance scenarios: "minimum", "on-target" and "maximum", along with an illustration assuming a 50% increase in the share price over the vesting period for the purpose of the RSP awards.

Potential reward opportunities are based on the Policy, applied to the base salaries effective 1 January 2023. The annual bonus and RSP awards are based on the level of maximum opportunities applied in 2023 (annual bonus of 150% of salary for the Chief Executive and 125% of salary for the Chief Financial Officer and RSP award of 75% of salary). RSP award values are based on the face value at award rather than vesting (other than as regards that element of the charts assuming a 50% increase in the share price over the vesting period for the purposes of the RSP awards).



Directors' remuneration report continued

The "minimum" scenario reflects base salary, pension and benefits (i.e. fixed remuneration) which are the only elements of the Executive Directors' remuneration packages not linked to performance. Base salaries and pensions (10% of salary) as at 1 January 2023 are set out on page 119, benefits are based on the value of such benefits in 2022 which are taken from the single total figure remuneration table on page 125.

The "on target" scenario reflects fixed remuneration as above, plus bonus pay-out of 50% of maximum annual bonus opportunity and RSP vesting in full.

The "maximum" scenario reflects fixed remuneration as above, plus full pay-out of all incentives.

The final scenario is based on the same assumptions as the "maximum" scenario, but also assumes, for the purposes of the RSP element of the chart, that the share price increases by 50% over the vesting period.

In accordance with our Policy, the number of shares under the RSP awards will be determined based on the average mid-market closing share price for the five trading days immediately following the announcement of the annual results for 2021 (£1.787). Lynda Shillaw and Kitty Patmore will, therefore, be granted 185,791 and 136,611 shares respectively. For the purposes of the chart, the grant date face value of the RSP awards has been calculated using the mid-market closing share price on 28 February (£1.23) (a proxy for the share price at the time the 2023 RSP awards will be granted). Based on this share price, the grant date face value of the 2023 RSP awards is c.28% lower compared to the 2022 RSP awards.

Non-Executive Directors

Function	Operation	Opportunity	Implementation for 2023
Fees and benefits	Fee levels are ordinarily reviewed annually. The fees of the Non-Executive Chair are determined by the Board and those of the other Non-Executive Directors by the Chair and the Executive Directors. Additional fees are payable for additional Board duties, including but not limited to, acting as Senior Independent Director and as Chair of the Board's Committees. Additional fees may be paid in the event that Non-Executive Directors are required to commit substantial additional time above that normally expected of their role. The Non-Executive Directors may be eligible to receive benefits linked to the performance of their duties, including but not limited to travel and other expenses, and the Company may make a payment in respect of any associated tax liability where the Committee considers this to be appropriate.	There is no overall maximum, but fees are set taking into account the responsibilities of the role and expected time commitment. It is expected that increases to Non-Executive Director fee levels will be in line with salaried employees over the life of the Policy. However, in the event that there is a material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil a Non-Executive Director role, the Board has discretion to make an appropriate adjustment to the fee level. Where benefits are provided to Non-Executive Directors they will be provided at a level considered to be appropriate taking into account the individual circumstances. Overall fees paid to the Non-Executive Chair and Non-Executive Directors will remain within the limits set by the Company's Articles of Association.	The Chair's and Non-Executive Directors' base fees and additional fees for acting as Senior Independent Director and Chairing Committees will be increased by 5% with effect from 1 January 2023. Fees from 1 January 2023: • Chair fee: £179,729 • Non-Executive Director fee: £50,549 • Additional fee for acting as Senior Independent Director: £8,925 • Additional fee for Chairing the Remuneration Committee or Audit Committee: £8,925 • Additional fee for Chairing the ESG Committee: £6,300

Executive Director services contracts and Non-Executive Director letters of appointment

Lynda Shillaw has a rolling service contract (dated 29 July 2020) requiring nine months' notice of termination on either side. Kitty Patmore has a rolling service contract (dated 5 August 2019) requiring six months' notice of termination on either side. The service contracts for the Executive Directors are available at the Company's registered office during normal business hours and will be available at the AGM for 15 minutes prior to the meeting and during the meeting.

Subject to annual re-election by shareholders, Non-Executive Directors are appointed on a rolling annual basis. All Directors offer themselves for re-election at each AGM. The appointment and re-appointment of Directors are matters reserved for the full Board.

	Date of letter of appointment	Appointment date to the Board	Current appointment expiry date[1]
A. Lyons	23 November 2017	7 March 2018	7 March 2024
A. Bromfield	19 February 2019	1 April 2019	1 April 2024
R. Cooke	27 February 2019	19 March 2019	19 March 2024
L. Scenna	29 June 2020	1 September 2020	1 September 2023
P. O'Donnell Bourke	2 November 2020	3 November 2020	3 November 2023
M. Zafar	31 May 2022	1 June 2022	1 June 2023
M. Bowes[2]	1 March 2015	24 March 2015	24 March 2024
S. Underwood[3]	9 December 2019	2 August 2010	1 January 2024

1 All Non-Executive Directors are subject to annual rolling appointments by reference to the date of their original appointment to the Board.

2 Martyn Bowes was previously a Non-Executive Director of Harworth Estates Property Group Limited from 19 March 2013.

3 A new letter of appointment was entered into when Steven Underwood ceased to be a representative director of Peel Group.

Single total figure of remuneration for Executive Directors (audited)

The table below sets out the remuneration received by each Executive Director of the Company for the year ended 31 December 2022 with a comparison to the previous year.

	L. Shillaw		K. Patmore	
	2022	2021	**2022**	2021
Fixed pay				
Salary	**£421,600**	£400,000	**£310,000**	£250,000
Taxable benefits[1]	**£16,121**	£16,121	**£10,000**	£10,000
Pension benefit[2]	**£42,160**	£40,000	**£31,000**	£25,000
Subtotal	**£479,881**	£456,121	**£351,000**	£285,000
Variable pay				
Single-year variable	**£329,375**	£362,000	**£193,750**	£226,250
Multi-year variable	**–**	–	**£34,295**[3]	–
Other[4]	**£6,000**	£5,772	**£6,000**	£1,250
Subtotal	**£335,375**	£367,772	**£234,045**	£227,500
Total	**£815,256**	£823,893	**£585,045**	£512,500

1 Taxable benefits consist of car allowance and private medical cover. Other benefits include life insurance.

2 Kitty Patmore participated in the Company's defined contribution scheme, in relation to which the Company contributed 10% of salary. Lynda Shillaw received a pension allowance equivalent to 10% of salary.

3 Multi-year variable relates to the vesting of the first tranche of RSP awards granted in 2020.

4 Other includes Free Shares and Matching Shares awarded during the year under the all-employee Share Incentive Plan and options granted during the year under the all-employee SAYE scheme. The value of Free Shares and Matching Shares is determined based on the face value of the shares at the award date. The value of SAYE options is determined based on the intrinsic value of the award at the grant date.

Directors' remuneration report continued

Single total figure of remuneration for Non-Executive Directors (audited)

The table below sets out remuneration received by each Non-Executive Director of the Company for the year ended 31 December 2022 with a comparison to the previous year, representing payments received in respect of the period during which each individual was a Director of the Company.

	Base fee		Committee Chair fees		SID fee		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
A. Lyons	**£171,170**	£162,400	**–**	–	**–**	–	**£171,170**	£162,400
M. Bowes	**£48,141**	£45,675	**–**	–	**–**	–	**£48,141**	£45,675
A. Bromfield	**£48,141**	£45,675	**£14,500**	£7,613	**£8,500**	£7,613	**£71,141**	£60,901
R. Cooke	**£48,141**	£45,675	**–**	–	**–**	–	**£48,141**	£45,675
S. Underwood	**£48,141**	£45,675	**–**	–	**–**	–	**£48,141**	£45,675
L. Scenna	**£48,141**	£45,675	**–**	–	**–**	–	**£48,141**	£45,675
P. O'Donnell Bourke	**£48,141**	£45,675	**£8,500**	£7,613	**–**	–	**£56,641**	£53,288
M. Zafar[1]	**£28,083**	–	**–**	–	**–**	–	**£28,083**	–

1 Appointed as Non-Executive Director with effect from 1 June 2022.

Incentive outcomes for year ended 31 December 2022 (audited)

Annual bonus

Lynda Shillaw's and Kitty Patmore's bonus opportunity for 2022 was equal to 125% and 100% of salary respectively subject to a combination of financial performance measures, strategic performance measures, ESG performance measures and personal objectives. Performance against targets and subsequent vesting of 2022 annual bonuses are set out in the tables below.

Group financial performance outcome (50% of total bonus opportunity)

Financial measure	Weighting (% of financial element)	Threshold[1]	Target[2]	Maximum	Actual performance	Vesting outcome
Total Return (growth in EPRA NDV plus dividends paid)	70%	5.35%	7.5%	8.5%	0.1%	0%
Acquisitions[3]	30%	£30m	£36.3m	£53m	£93.2m	30%
Total vesting on financial performance element			50% weighting of total bonus opportunity			30%

Broadly straight-line vesting occurs between defined levels of performance

1 10% of maximum opportunity vests at threshold.

2 50% of maximum opportunity vests at target.

3 During 2022 a strategic decision was made to convert certain freehold acquisitions to option agreements to purchase the freehold at a future date, in order to protect capital whilst also securing a long-term pipeline. The Committee therefore agreed that the option agreements should contribute towards acquisition performance, based on the minimum future capital commitment required to exercise the option agreements (£76.6m). For the avoidance of doubt, the minimum future capital commitment which has contributed to 2022 acquisition performance will not count towards performance against acquisition targets for future years (i.e. there will be no double counting).

Strategic measures (30% of total bonus opportunity)

Strategic measures	Weighting (% of strategic element)	Baseline	Stretch	Actual performance	Vesting outcome
Launch of Build-to-Rent portfolio	34%	Design of products completed and investor acceptable, delivery partner selected	Successful launch of a portfolio of 600 units or more and exchange is completed by 31 December 2022	Launched portfolio of >600 units, investor identified and negotiations well progressed, and delivery partners selected	30.6%
Increase scale of direct developments:	66%				62.7%
Practical completions		Practical completion of certain specific developments by 31 December 2022	Achieve threshold plus the practical completion of a further specific development by 31 December 2022	Achieved practical completion of developments which was marginally short of stretch performance target	
Lettings achieved		Lettings for 30% of in-year practical completions exchanged or completed and/or a pre-let for future development site exchanged or completed at a similar scale	Lettings for 50% or more of in-year practical completions exchanged or completed and/or a pre-let for future development site exchanged or completed at a similar scale	Achieved lettings in excess of stretch target	
Commencement of enabling works		Commencement of works to enable 1,182,500 sq. ft of development	Commencement of works to enable 1,773,750 sq. ft of development	Achieved commencement of works to enable development in excess of stretch target	
Total vesting on strategic element				30% weighting of total bonus opportunity	93.3%

ESG performance outcome (5% of total bonus opportunity)

ESG measures	Weighting (% of ESG element)	Objective	Actual performance	Vesting outcome
Prioritising health and safety	30%	Zero reportable RIDDOR incidents at Harworth sites	Zero reportable RIDDOR incidents	30%
Developing responsibility	40%	Develop three key metrics for measuring and reporting on the ESG impact of the Group's activities	Objective achieved in full	40%
Delivering homes, support jobs and creating communities	30%	Completion of Bardon Hill, work to begin on Olive Lane (Waverley), planning applications to be submitted for schools at Coalville and Thoresby Value	Objectives achieved with the exception that work on Olive Lane (Waverley) is scheduled to begin in 2023	20%
Total vesting on ESG element			5% weighting of total bonus opportunity	90%

Directors' remuneration report continued

Personal performance outcomes (15% of total bonus opportunity)

Lynda Shillaw

Personal objectives	Weighting (% of personal element)	Objective	Actual performance	Vesting outcome
Stakeholders	66%	Establish Harworth as a key regional partner for national and local government and other national and local stakeholders Elevate Harworth's brand profile: ensure that Harworth is perceived as a key regional business by the property sector	Completed stakeholder analysis and developed an action plan for each region at a corporate level Continued to build relationships with key authorities and stakeholders to unlock sites and preserve Harworth's commercial position Delivered a successful exhibition at the UK REiiF conference, elevating Harworth's brand profile	66%
Employee engagement	34%	Improve the average percentage points achieved in engagement scores by 5 points Address identified areas of lower than average engagement	The average percentage points achieved in 2023 engagement scores improved by 20% All identified areas of lower than average engagement have been addressed	34%
Total vesting on personal element			15% weighting of total bonus opportunity	100%

Kitty Patmore

Personal objectives	Weighting (% of personal element)	Objective	Actual performance	Vesting outcome
Strategic decision making	66%	Develop a non-financial KPI framework and data collection system (including ESG and external benchmark reporting) to be adopted by the business in regular management reporting and support Harworth's positioning as a leading ESG stock Develop a dynamic strategic reporting platform to enhance forward forecasting and reporting	Substantial improvements in both financial and non-financial KPI reporting both at an operational level, including formulation of monthly management packs for Regions and Investment division, and to the Board Significant progress was made on ESG data collection and benchmark reporting, which has significantly improved Harworth NZC understanding and reporting Recruitment into treasury function facilitated development of dynamic modelling and scenario analysis to support forecasting and reporting	66%
Employee engagement	34%	Improve the average percentage points achieved in engagement scores by 5 points Address specific areas of lower than average engagement	The average percentage points achieved in 2022 engagement scores improved by 20% All identified areas of lower than average engagement have been addressed	34%
Total vesting on personal element			15% weighting of total bonus opportunity	100%

Overall bonus outcomes

Executive Director	Financial		Strategic		ESG		Personal		Overall bonus outcome	
	Weighting	Vesting	Weighting	Vesting	Weighting	Vesting	Weighting	Vesting	% of bonus	% of salary
L. Shillaw	50%	15%	30%	28%	5%	4.5%	15%	15%	62.5%	78.1%
K. Patmore	50%	15%	30%	28%	5%	4.5%	15%	15%	62.5%	62.5%

The overall bonus payments were also subject to the additional underpins as set out on page 122. The Committee reviewed performance against these underpins and found no cause to reduce the bonus outcomes.

Restricted Share Plan awards vesting (audited)

An RSP award was granted to Kitty Patmore at 50% of salary in 2020. No award was received by Lynda Shillaw given the date of grant preceded her joining the business.

Vesting is phased over a five-year period, with one-third vesting after three years, one-third after four years and one-third after five years, although all vested shares must be held to the end of year five.

The RSP award is subject to the specific performance underpins identified in note 3 to the Policy summary (see page 123). The Committee reviewed performance against these underpins, as well as underlying financial performance, and found no cause to reduce the vesting outcome. The Committee considers the vesting outcome to be appropriate, recognising that the Group has performed strongly, both financially and strategically, against a backdrop of macro-economic and geopolitical uncertainty.

The first tranche of the RSP award granted to Kitty Patmore therefore vested in full following announcement of the results for the financial year ended 31 December 2022 on 21 March 2023. The vested shares will be subject to a holding period until March 2025.

Executive Director	Number of shares granted under tranche	Number of shares vesting under tranche	Face value at vesting[1,2]
K. Patmore	32,051	32,051	£34,295

1 Face value based on the average mid-market closing share price for the three-month period ended 31 December 2022 (£1.07). The RSP award did not accrue dividend equivalents over the vesting period.

2 The share price at the grant date of the RSP award (£1.04 based on the mid-marking closing share price on the trading day immediately preceding the date of grant on 25 June 2020) is £0.03 less than the above mentioned share price used to calculate the face value of the shares at vesting. Therefore, 2.8% of the face value is attributable to growth in share price between grant and vesting.

Performance against underpins

Performance underpin	Description	Detail	Performance
Financial health	Financial stability of the business	A breach of financial covenants in the Group's principal banking facilities.	During the three-year period ended 31 December 2022 there were no breaches of financial covenants in the Group's principal banking facilities.
Underlying performance	Sustainability of the Group's underlying performance in the cyclical real estate sector	A material deterioration in the Group's underlying performance, which departs significantly from any deterioration across the real estate sector including, but not limited to, by reference to share price, dividend and/or EPRA NDV.	The Committee considers that the Group has performed strongly relative to peers during the three-year period ended 31 December 2022. Harworth's Total Shareholder Return over the three-year period ended 31 December 2022 was -12% compared to -22% for the FTSE All Share Real Estate Index. Harworth's Total Return over that period was 9.2%, representing strong performance across the sector.
Corporate governance	Avoidance of governance and health and safety failures	A material failure in governance or an act resulting in significant reputational damage and/or material financial loss to the Group. This includes giving consideration to any successful prosecutions in relation to health and safety.	During the three-year period ended 31 December 2022 there were no material failures in governance or acts resulting in significant reputational damage or material financial loss to the Group, nor any successful prosecutions in relation to health and safety.

Directors' remuneration report continued

Restricted Share Plan awards granted in 2022 (audited)

RSP awards were granted to Lynda Shillaw and Kitty Patmore on 8 June 2022 at 75% of salary.

Executive Director	Type of award	Date of grant	Number of shares subject to award	Face value[1]
L. Shillaw	2022 RSP award Nil-Cost Option	8 June 2022	176,944	£316,199
K. Patmore	2022 RSP award Nil-Cost Option	8 June 2022	130,106	£232,499

1 Face value based on the average mid-market closing share price for the five trading days immediately following the announcement of the annual results for 2021 (£1.787).

Vesting will be phased over a five-year period, with one-third vesting after three years, one-third after four years, and one-third after five years, although all vested shares must be held to the end of year five.

The RSP awards are subject to the specific performance underpins identified in note 3 to the Policy summary (see page 123). Furthermore, the Committee has discretion to reduce vesting outcomes where it considers that they would not otherwise be representative of the underlying business performance over the vesting period. The Committee will disclose at the time of vesting how performance underpins and underlying business performance over the vesting period have been taken into account.

Percentage change in remuneration of Directors and employees

The table below shows the annual percentage change in each of the Directors' remuneration compared to the average employee remuneration.

	% change between 2021 and 2022			% change between 2020 and 2021			% change between 2019 and 2020		
	Salary & fees	Benefits	Bonus	Salary & fees	Benefits	Bonus	Salary & fees	Benefits	Bonus
Executive Directors									
L. Shillaw[1]	5.4%	3.8%	(9)%	n/a	n/a	n/a	n/a	n/a	n/a
K. Patmore[2]	24.0%	17.1%	(14.4)%	25%	0%	122.3%	n/a	n/a	n/a
Non-Executive Directors									
A. Lyons	5.4%	–	–	1.5%	–	–	0%	–	–
M. Bowes	5.4%	–	–	1.5%	–	–	0%	–	–
A. Bromfield[3]	16.8%	–	–	28%	–	–	n/a	–	–
R. Cooke[4]	5.4%	–	–	1.5%	–	–	n/a	–	–
S. Underwood	5.4%	–	–	1.5%	–	–	0%	–	–
L. Scenna[5]	5.4%	–	–	n/a	–	–	n/a	–	–
P. O'Donnell Bourke[6]	6.3%	–	–	n/a	–	–	n/a	–	–
M. Zafar[7]	n/a	–	–	n/a	–	–	n/a	–	–
Average employee (Company)[8]	19.4%	10.0%	9.5%	13.3%	6.5%	157.4%	7%	34%	14%
Average employee (Group)	5.4%	28.8%[9]	(7.8)%	9.4%	3.8%	45.7%	3.3%	5%	(20%)

1 Appointed as Chief Executive with effect from 1 November 2020 and therefore the annual percentage change in remuneration between 2019 and 2020 and between 2020 and 2021 is not applicable.

2 Appointed as Chief Financial Officer with effect from 1 October 2019 and therefore the annual percentage change in remuneration between 2019 and 2020 is not applicable. Kitty Patmore's salary for 2022 was £310,000 and the percentage change in salary between 2021 and 2022 has been calculated based on this amount.

3 Appointed as Non-Executive Director with effect from 1 April 2019 and therefore the annual percentage change in remuneration between 2019 and 2020 is not applicable. Succeeded Lisa Clement as Senior Independent Director and Chair of the Remuneration Committee with effect from 1 November 2020. A fee of £6,000 per annum for chairing the ESG Committee was introduced with effect from 1 January 2022.

4 Appointed as Non-Executive Director with effect from 19 March 2019 and therefore the annual percentage change in remuneration between 2019 and 2020 is not applicable.

5 Appointed as Non-Executive Director with effect from 1 September 2020 and therefore the annual percentage change in remuneration between 2019 and 2020 and between 2020 and 2021 is not applicable.

6 Appointed as Non-Executive Director with effect from 3 November 2020 and therefore the annual percentage change in remuneration between 2019 and 2020 and between 2020 and 2021 is not applicable.

7 Appointed as Non-Executive Director with effect from 1 June 2022 and therefore the annual percentage change in remuneration is not applicable.

8 Calculated by reference to employees (excluding Directors) of the Company to satisfy the disclosure obligations under The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019. However, given that the Company only employs a small proportion of the Group's employees, the row below cites the equivalent figures calculated by reference to employees (excluding Directors) of the Company and its subsidiaries.

9 A one-off non-contractual payment of £2,000 was made to all employees (excluding the Senior Executive) during 2022 to provide some support during the cost-of-living crisis. This payment is included within the 2022 benefits figure and is the primary reason for the increase in average benefits between 2021 and 2022. There have been no changes to the broader benefits available to our employees. Car allowances are determined by internal gradings and applied consistently. Private medical insurance is available to all employees, their spouses/partners and dependants on the same terms. The increase in average benefits between 2020 and 2021 was driven by a change in the overall profile of our workforce, with employees receiving higher car allowances and/or tending to have more dependants resulting in higher private medical insurance costs.

Chief Executive pay ratio

The Group has fewer than 250 UK employees and is not therefore required to disclose a Chief Executive pay ratio. However, in line with best practice, the Committee considers it appropriate to disclose the pay ratio voluntarily.

The table below sets out the Chief Executive's total remuneration as a ratio against the full-time equivalent remuneration of employees for the year ended 31 December 2021 and 31 December 2022.

Year ended	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
31 December 2022	**15:1**	**10:1**	**7:1**
31 December 2021	18:1	12:1	8:1

For each year, the Company has calculated the ratio in line with the reporting regulations using Option A. Option A methodology was selected on the basis that it is a robust approach and is preferred by shareholders and proxy voting agencies. The calculations for the representative employees were performed as at the final day of the relevant financial year.

A substantial proportion of the Chief Executive's total remuneration is performance related and delivered in shares. The ratios will therefore depend significantly on the Chief Executive's annual bonus and RSP outcomes and may fluctuate year-on-year.

The Board believes that the median pay ratio is consistent with the pay, reward and progression policies for the wider workforce.

The table below sets out the pay and benefits figures used to calculate the ratios and the salary component.

Year ended		Chief Executive	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
31 December 2022	**Total pay and benefits**	**£815,256**[1]	**£56,033**	**£78,384**	**£115,409**
	Salary	**£421,600**	**£35,309**	**£60,000**	**£77,996**
31 December 2021	Total pay and benefits	£823,893[2]	£46,200	£67,839	£107,348
	Salary	£400,000	£42,000	£48,000	£72,500

1 The Chief Executive's total pay and benefits is the total single figure as disclosed on page 125.

2 The employee percentile total pay and benefits has been calculated on the same basis as required for the Chief Executive's remuneration for single figure purposes. However, for the year ended 31 December 2021, the vesting of awards under the Restricted Share Plan during the year were omitted from the employee calculations.

Relative importance of spend on pay

Total employee pay expenditure			Distribution to shareholders		
2022	2021	% change	2022	2021	% change
£13.690m	£11.626m	18%	**£4.3m**	£3.9m	10%

Total employee pay in the year reflected an increase in the average number of employees from 89 to 113 , as well as awards for career progression and promotion.

Total dividends for 2022 were 1.333 pence per share (2021: 1.212 pence per share), resulting in total dividends of £4.3m (2021: £3.9m).

The percentage change is shown on a per share basis.

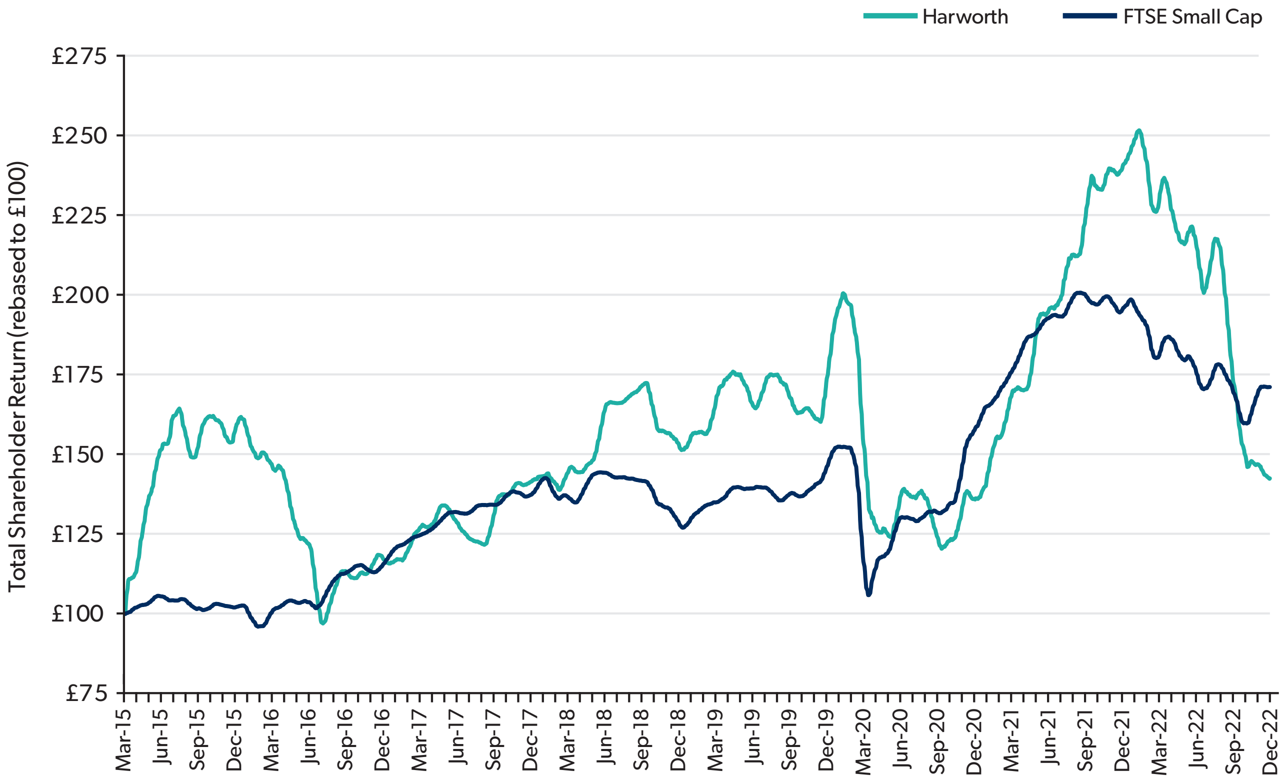
Directors' remuneration report continued

Review of past performance

The following chart shows the Total Shareholder Return ('TSR') of the Company and the FTSE SmallCap Index over the period from the Company's relisting on 24 March 2015 to 31 December 2022. The FTSE SmallCap Index represents the most appropriate broad index comparison for a company of Harworth's size. The table below shows the Chief Executive's "single-figure" remuneration over the same period.

Historical TSR performance

Growth in the value of a hypothetical £100 holding (including re-investment of dividends) over the period from re-listing on 24 March 2015 to 31 December 2022:



Source: Thomson Reuters DataStream

Historical Chief Executive remuneration

	Chief Executive	Single figure remuneration (£'000)	Short term incentive award as a % of maximum opportunity	Long term incentive award as a % of maximum opportunity
2022	L. Shillaw	£815	62.5%	n/a
2021	L. Shillaw	£824	90.5%	n/a
2020	L. Shillaw	£76	n/a	n/a
	O. Michaelson	£559	51.34%	5.05%
2019	O. Michaelson	£669	44.2%	51.5%
2018	O. Michaelson	£901	85.6%	51.8%
2017	O. Michaelson	£1,392	80.6%	n/a[1]
2016	O. Michaelson	£599	90.0%	n/a
2015	O. Michaelson	£480	85.6%	n/a

1 Excludes vesting of Harworth Estates Long-Term Incentive Plan award as this was a one-off scheme put in place by HEPGL in 2013.

Loss of office payments and payment to former Directors (audited)

There were no loss of office payments made to past Directors during the year ended 31 December 2022.

As disclosed in the 2020 Directors' Remuneration Report, on Owen Michaelson's retirement on 31 December 2020, his 2019 RSP and two-thirds of his 2020 RSP awards remained capable of vesting subject to the satisfaction of the performance underpins and the Committee's assessment of underlying business performance during the respective vesting periods.

The second tranche of the 2019 RSP award vested in full (41,178 shares) in March 2023. The vested shares will be subject to a holding period until March 2024.

Two-thirds of the first tranche of the 2020 RSP award vested (34,722 shares) in March 2023. The vested shares will be subject to a holding period until March 2025.

Directors' interests (audited)

The following table sets out the beneficial interests of the Directors and their connected persons in the share capital of the Company as at 31 December 2022. None of the Directors have a beneficial interest in the shares of any other Group Company. Details of Directors' share options are also set out in the table below. Current shareholding as a percentage of salary is based on the mid-market closing price for the shares on 30 December 2022 of £1.06.

	Shares held		Options held					
	Beneficially owned	Unvested & not subject to performance[1]	Unvested & subject to performance[2]	Unvested & not subject to performance[3]	Vested & exercised during 2022	Shareholding requirement % salary	Current shareholding % salary	Requirement met?
L. Shillaw	184,317	4,861	333,683	17,595	–	200%	92%	N
K. Patmore	42,202	5,822	324,222	24,357	–	200%	75%	N
A. Lyons	350,000	–	–	–	–	n/a	n/a	n/a
M. Bowes	–	–	–	–	–	n/a	n/a	n/a
A. Bromfield	36,264	–	–	–	–	n/a	n/a	n/a
R. Cooke	–	–	–	–	–	n/a	n/a	n/a
S. Underwood	38,385	–	–	–	–	n/a	n/a	n/a
L. Scenna	–	–	–	–	–	n/a	n/a	n/a
P. O'Donnell Bourke	40,000	–	–	–	–	n/a	n/a	n/a
M. Zafar	–	–	–	–	–	n/a	n/a	n/a

1 Free Shares awards and Matching Shares awards under the Share Incentive Plan.

2 Nil-cost options granted under the Restricted Share Plan.

3 Options granted under the Save As You Earn scheme.

As at 13 March 2023, shares held by Lynda Shillaw and Kitty Patmore had increased to 189,928 and 48,774 respectively, as a result of Partnership Shares and Matching Shares awarded under the Share Incentive Plan since 31 December 2022. There have been no further changes to the holdings listed above between 31 December 2022 and 13 March 2023.

Angela Bromfield
Chair of the Remuneration Committee

13 March 2023

Directors' report

Introduction

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2022.

Some of the matters required to be included in this Directors' Report can be found in the Strategic Report or elsewhere in the Governance Report as indicated below:

	Reference
Annual General Meeting	Chair's Introduction, page 81 Statement of Corporate Governance, page 97
Auditors	Audit Committee Report, page 110
Composition and operation of administrative, management and supervisory bodies and committees	Statement of Corporate Governance, pages 93 to 94
Directors' interests in shares	Directors' Remuneration Report, page 133
Directors' remuneration	Directors' Remuneration Report, pages 115 to 133
Disclosure of information to auditors	Statement of Directors' Responsibilities, page 139
Diversity	Nomination Committee Report, pages 102 to 105
Employee numbers	Nomination Committee Report, page 104
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The liabilities of the Directors in connection with this Report are subject to the limitations and restrictions provided by English Company law.

Company status

Harworth Group plc is a company incorporated in England with company number 02649340. Its head office is in Rotherham. It is listed on the London Stock Exchange Main Market. All subsidiaries and associated undertakings are listed in Note 15 to the Financial Statements.

Financial results and dividends

The Group's profit before taxation for the financial year ended 31 December 2022 was £30.9m (2021: £127.2m). The net assets attributable to shareholders of the Group increased to £602.7m (2021: £578.0m) over the financial year. During the year, the Group's EPRA NDV per share decreased by 0.6% to 196.5p (2021: 197.6p).

The Board is recommending a final dividend of 0.929 pence per share which, together with the interim dividend of 0.404 pence per share paid in October 2022, makes a combined dividend of 1.333 pence (2021: 1.212 pence) per share. Payment of the final dividend, if approved at the 2023 AGM, will be made on 26 May 2023 to shareholders on the register at the close of business on 5 May 2023. The ex-dividend date will be 4 May 2023. The dividend paid in the year to 31 December 2022 was 1.249 pence (2021: 1.833 pence) per share, comprising the 2021 final dividend of 0.845 pence per share and the interim dividend of 0.404 pence per share for 2022.

Share capital and allotment of shares

Details of the Company's issued share capital are shown in Note 26 to the Financial Statements on page 202. There is only one class of share in issue: ordinary shares of 10 pence each.

There are no restrictions on the transfer of shares in the Company, save for the power of the Board to refuse to transfer shares in certain circumstances prescribed by the Articles of Association, and those specified by law or regulation (for example, insider trading laws) and pursuant to the Listing Rules of the Financial Conduct Authority whereby certain employees of the Group require the approval of the Company to deal in the shares.

All shares carry equal rights to dividends, voting and return of capital on the winding up of the Company, as set out in the Company's Articles of Association, and are fully paid.

On a show of hands at a general meeting of the Company, every holder of shares present in person and entitled to vote shall have one vote and on a poll every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The notice of the 2023 AGM specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the meeting. There are no restrictions on any voting rights or deadlines, other than those prescribed by law or the Articles of Association.

The Company is not aware of any arrangement between holders of shares which may result in restrictions on the transfer of securities or voting rights, nor any arrangement whereby a shareholder has waived or agreed to waive dividends (other than the Employee Benefit Trust – see below).

The Directors were granted authority at the 2022 AGM to allot shares up to a nominal amount of one-third of the Company's issued nominal share capital, as well as additional authority to allot a further one-third on a rights issue. This authority expires at the conclusion of the 2023 AGM and a resolution will be proposed for its renewal.

The Company's issued share capital as at 31 December 2021 was 322,724,566 ordinary shares of 10 pence each. During 2022 the issued share capital was increased as follows:

Date	Description	Number of shares issued	Price (discount if applicable)
11 May 2022	Grant of SIP Free Shares	210,924	Nil consideration
01 June 2022	Exercise of SAYE options	31,060	£1.043 (35.8%)
15 June 2022	Exercise of SAYE options	4,313	£1.043 (35.2%)
29 June 2022	Exercise of SAYE options	12,078	£1.043 (30.9%)
13 July 2022	Exercise of SAYE options	3,451	£1.043 (26.5%)
10 August 2022	Exercise of SAYE options	5,177	£1.043 (34.4%)
15 August 2022	Grant of SIP Matching Shares	6,513	Nil consideration
15 September 2022	Grant of SIP Matching Shares	10,468	Nil consideration
21 September 2022	Exercise of SAYE options	6,903	£1.043 (17.2%)
17 October 2022	Grant of SIP Matching Shares	12,730	Nil consideration
19 October 2022	Exercise of SAYE options	1,725	£1.043 (4.3%)
15 November 2022	Grant of SIP Matching Shares	12,368	Nil consideration
15 December 2022	Grant of SIP Matching Shares	8,848	Nil consideration

As such, as at 31 December 2022, the Company's issued share capital was 323,051,124 ordinary shares of 10 pence each.

Since 31 December 2022, the Company's issued share capital has increased to 323,067,030 ordinary shares of 10p each, as follows:

Date	Description	Number of shares issued	Price (discount if applicable)
16 January 2023	Grant of SIP Matching Shares	5,712	Nil consideration
15 February 2023	Grant of SIP Matching Shares	10,194	Nil consideration

Directors' report continued

Under Section 561 of the Companies Act 2006 (Companies Act), if the Directors wish to allot unissued shares for cash (subject to certain exceptions, including allotments pursuant to an approved employee share scheme) they must first offer them to existing shareholders in proportion to their holdings (a pre-emptive offer). By a special resolution at the 2022 AGM, the shareholders gave authority to the Directors to dis-apply the above-mentioned pre-emption and to allot shares for cash other than by way of rights issue to existing shareholders, provided that the aggregate nominal value of such shares does not exceed 5% of the Company's total issued equity capital. The Directors have not made use of this authority since the 2022 AGM. The Directors propose to renew this authority at the 2023 AGM.

Purchase of the Company's own shares

The Company has authority under a shareholders' resolution passed at the 2022 AGM to purchase up to 32,272,456 of the Company's ordinary shares, representing approximately 10% of the Company's total issued share capital in the market during the period expiring at the 2023 AGM. No shares have been purchased by the Company under that authority. A special resolution will be proposed at the 2023 AGM to renew this authority. Any shares purchased under this authority will be cancelled (unless the Directors determine that they are to be held as treasury shares) and the number of shares in issue will be reduced accordingly.

Directors

The Directors who held office during the financial year ended 31 December 2022 and up to the date of this Report are:

Chair
Alastair Lyons

Executive Directors
Lynda Shillaw (Chief Executive)
Katerina Patmore (Chief Financial Officer)

Independent Non-Executive Directors
Angela Bromfield (SID)
Ruth Cooke
Lisa Scenna
Patrick O'Donnell Bourke
Marzia Zafar (appointed 1 June 2022)

Non-Executive Directors (not independent)
Steven Underwood
Martyn Bowes

Biographical details of the Directors are contained on pages 82 to 85.

The Directors' Remuneration Report, which includes details of Directors' service agreements and their interests in the shares of the Company, is set out on pages 125 and 133 respectively. Copies of the service agreements of the Executive Directors and letters of appointment for the Non-Executive Directors are available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Company's 2023 AGM.

In accordance with the UK Corporate Governance Code, all Directors will offer themselves for re-election at the 2023 AGM.

Save as set out on pages 91 to 92 of the Corporate Governance Statement no Director has, or has had, a material interest, directly or indirectly, at any time during the year under review in any contract significant to the Company's business.

The Directors may exercise all the powers of the Company, subject to compliance with relevant laws, the Company's Memorandum and Articles of Association and any directions given by special resolution of shareholders.

Financial risk management

The Group's overall risk management programme includes a focus on credit and liquidity risks to minimise potential adverse effects of the Group's financial performance; further detail, including use of financial instruments as appropriate as part of managing the interest rate risk on external borrowings, is set out in Note 23 to the Financial Statements.

Directors' indemnities, insurance and independent advice

The Company maintains Directors' and Officers' liability insurance. To the extent permitted by UK law, the Company indemnifies its Directors against claims brought against them as a consequence of the execution of their duties as Directors of the Company. The Board has established a procedure by which any Director, for the purpose of furthering their duties, may take independent professional advice at the Company's expense. No Director had reason to use this facility in 2022.

Charitable and political donations

The Group made charitable donations during 2022 in the aggregate sum of £34,330 (2021: £61,642).

No political donations were made during the year (2021: £nil). It remains the Company's policy not to make any cash donations to political parties. This policy is strictly adhered to and there is no intention to change it. However, the definitions of "political donation" and "political expenditure" used in the Companies Act remain very broad, which may have the effect of covering some normal business activities that would not be considered political donations or political expenditure in the usual sense. These could include support for bodies engaged in law reform or governmental policy review or involvement in seminars and functions that may be attended by politicians. To avoid any possibility of inadvertently contravening the Companies Act, the Directors obtained authority from shareholders at the 2022 AGM for certain political donations and expenditure, subject to financial limits, and will seek to renew this authority at the 2023 AGM.

Employee Benefit Trust

The Harworth Group plc Employee Benefit Trust ('EBT') holds shares in the Company for the purposes of satisfying awards that may vest under the Company's employee share plans. Shares issued pursuant to Share Incentive Plan awards are held by Equiniti Share Plan Trustees Limited pending maturity. At 31 December 2022, the EBT held 5,669 (2021: 5,669) ordinary shares of 10 pence each in the Company and Equiniti Share Plan Trustees Limited held 470,376 (2021: 170,918) ordinary shares of 10 pence each in the Company, being in aggregate 476,045 (2021: 176,587) shares which represent 0.15% of the Company's issued share capital. The EBT has waived its right to receive dividends on shares that it holds beneficially in respect of awards that have not vested.

The EBT also holds shares which have been issued following the vesting of awards under the Company's share-based incentive schemes but which are subject to holding periods in accordance with the terms of those schemes. The trustee of the EBT exercises any voting rights on such shares in accordance with the Directors' recommendations.

Amendment of Articles of Association

The Articles of Association may be amended by special resolution of the shareholders.

General meetings

An AGM must be called on at least 21 days' clear notice, although the Company typically gives not less than 20 working days' notice of its AGM following the Guidance on Board Effectiveness.

All other general meetings are also required to be held on at least 21 days' clear notice unless the Company offers shareholders an electronic voting facility. A special resolution reducing the period of notice for general meetings (other than AGMs) to not less than 14 days was passed at the 2022 AGM. The Directors are proposing to seek renewal of that authority at the 2023 AGM.

Substantial shareholdings and agreements with shareholders

As at the date of this Report, the Company had been notified, pursuant to paragraph 5 of the FCA's Disclosure and Transparency Rules, of the following notifiable voting rights:

Name of holder	Number of ordinary shares	Percentage of total voting rights
London and Amsterdam Trust Company	85,100,257	26.34%
Pension Protection Fund	73,966,672	22.90%
Goodweather Holdings Limited[1]	45,500,000	14.08%
Schroder Investment Management	15,618,416	4.83%
Janus Henderson Investors	10,606,920	3.28%

1 Goodweather Holdings Limited is a member of the Peel Group.

The Company's relationship with the Pension Protection Fund ('PPF') is governed by a relationship agreement pursuant to which, amongst other things, the PPF is entitled to appoint a representative Director to the Board.

Change of control provisions

Under the terms of the revolving credit facility agreement entered into between National Westminster Bank plc, Santander UK plc, HSBC UK Bank plc and Harworth Estates Property Group Limited ('HEPGL') in March 2022, if any person or Group of persons acting in concert gains direct or indirect control of HEPGL the facility is capable of being cancelled, in which event all outstanding loans and bonds, guarantees or letters of credit together with accrued interest shall become immediately due and payable.

Transactions with related parties

Transactions entered into with related parties during 2022 are disclosed in Note 30 to the Financial Statements.

The Directors' Report was approved by the Board of Directors and signed on its behalf by:

Chris Birch
General Counsel and Company Secretary

13 March 2023

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with UK-adopted international accounting standards ('IFRSs'). 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 Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing these Financial Statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company financial position and financial performance;
- in respect of the Group financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the Company financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and/or the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Company and the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Responsibility statements

The Directors (see the list of names and roles on pages 82 to 85), confirm, to the best of their knowledge:

- that the consolidated Financial Statements, prepared in accordance with UK-adopted international accounting standards give a true and fair view of the assets, liabilities, financial position and profit of the Company and undertakings included in the consolidation taken as a whole;
- that the Annual Report, including the strategic report, includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- that they consider the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Going concern

These financial statements are prepared on the basis that the Group is a going concern. In forming its opinion as to going concern, the Company prepares cash flow and banking covenant forecasts based upon its assumptions with particular consideration to the key risks and uncertainties and the current macro-economic environment as well as taking into account available borrowing facilities. The going concern period assessed is until June 2024, which has been selected as it can be projected with a good degree of expected accuracy and covers a complete period of reporting under the Group's RCF.

A key focus of the assessment of going concern is the management of liquidity and compliance with borrowing facilities for the period to June 2024. During the year a new five-year £200m RCF was agreed with HSBC joining as a new lender in addition to current lenders NatWest and Santander. The new RCF is aligned to the Group's strategy and provides significant additional liquidity and flexibility to enable it to pursue its strategic objectives. The new facility is subject to financial covenants, including minimum interest cover, maximum infrastructure debt as a percentage of property value and gearing, all of which are tested through the going concern assessment undertaken. Available liquidity, including cash and cash equivalents and bank facility headroom was £175.6m as at 31 December 2022.

The Group benefits from diversification across its Capital Growth and Income Generation businesses including its industrial and renewable energy property portfolio. Taking into account the independent valuations by BNP Paribas and Savills, the Group net loan-to-portfolio value remains low at 6.6%, within the Board's target range and with headroom to allow for falls in property values. Rent collection remained strong, with 98% collected to date for 2022.

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

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

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

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 Group's and Company's financial statements.

Disclosure of information to the auditor

Each of the Directors who were in office at the date of approval of this Report also confirms that:

- so far as they are aware, there is no relevant audit information of which the auditor is unaware; and
- each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant information and to establish that the Group's and Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 Companies Act.

This Statement of Directors' Responsibilities was approved by the Board and signed by order of the Board.

Chris Birch
General Counsel and Company Secretary

13 March 2023

Financial Statements

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Independent auditor's report to the members of Harworth Group Plc

Opinion

In our opinion:

- Harworth Group plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Harworth Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise:

Group	Parent company
Consolidated income statement for the year then ended	Balance sheet as at 31 December 2022
Consolidated statement of comprehensive income for the year then ended	Statement of changes in equity for the year then ended
Consolidated balance sheet as at 31 December 2022	Statement of cash flows for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 31 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 31 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with section 408 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group and parent 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 as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.

Independent auditor's report to the members of Harworth Group Plc continued

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. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- confirming our understanding of management's going concern assessment process, through our walkthrough of the Group's financial close process and also engaging with management early to ensure all factors we identified were considered in their assessment;
- obtaining management's going concern assessment, including the cash forecasts and covenant calculations for the going concern period which covers the period to 30 June 2024. The Group has modelled a base scenario and a severe downside scenario in its cash forecasts and covenant calculations in order to incorporate unexpected changes to the forecasted liquidity of the Group.

  The downside scenario considered a severe but plausible reduction in development property sales, a material decline in land and investment property values and a significant increase in interest rates. In this scenario the Group continues to have sufficient cash reserves and headroom on lending facilities and associated covenants;
- testing the assumptions included in each modelled scenario for the cash forecasts and covenant calculations, considering the impact of continuing cost inflation and increasing interest rates. We also considered the appropriateness of the models used to calculate the cash flow forecasts and covenant calculations to determine if they were appropriate to be able to make an assessment on going concern;
- considering the mitigating factors that could be applied to the cash flow forecasts and covenant calculations that are within control of the Group, for example, reducing uncommitted development expenditure. This included review of the Company's non-operating cash outflows;
- verifying the credit facilities available to the Group including the five-year, £200m revolving credit facility which is due to expire in March 2027;
- performing reverse stress testing in order to identify what factors would lead to the Group utilising all liquidity or breaching the financial covenants during the going concern period;
- reviewing the Group's going concern disclosures included in the Annual Report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

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 group and parent company's ability to continue as a going concern for a period to 30 June 2024.

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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 group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of 5 components and audit procedures on specific balances for a further 6 components. • The components where we performed full or specific audit procedures accounted for 100% of the Group's Total Assets, 100% of the Group's Profit before property revaluation movements, finance costs and tax and 99% of the Group's Revenue.
Key audit matters	• Valuation of investment properties. • Carrying value of development property. • Revenue recognition – manual topside adjustments and cut-off.
Materiality	• Overall group materiality of £7.8m which represents 1% of total assets. • Specific group materiality of £2.8m which represents 5% of profit before property revaluation movements, finance costs and tax.

An overview of the scope of the parent company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 40 reporting components of the Group, we selected 11 components which represent the principal business units within the Group.

Of the 11 components selected, we performed an audit of the complete financial information of 5 components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 6 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 100% (2021: 100%) of the Group's Total Assets, 100% (2021: 99%) of the Group's Profit before property revaluation movements, finance costs and tax and 99% (2021: 99%) of the Group's Total Revenue. For the current year, the full scope components contributed 84% (2021: 79%) of the Group's Total Assets , 87% (2021: 74%) of the Group's Profit before property revaluation movements, finance costs and tax and 97% (2021: 78%) of the Group's Total Revenue. The specific scope component contributed 16% (2021: 21%) of the Group's Total Assets, 13% (2021: 25%) of the Group's Profit before property revaluation movements, finance costs and tax and 2% (2021: 21%) of the Group's Revenue. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

Of the remaining 29 components that together represent 1% of the Group's Revenue none are individually greater than 1% of the Group's Revenue. For these components, we performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

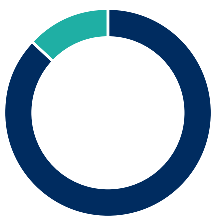
The charts below illustrate the coverage obtained from the work performed by our audit teams.

Total assets

84% Full scope components

16% Specific scope components

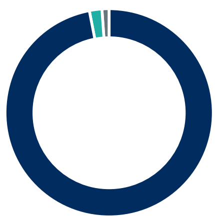
Profit before property revaluation movements, finance costs and tax



87% Full scope components

13% Specific scope components

Revenue



97% Full scope components

2% Specific scope components

1% Other procedures

Changes from the prior year

The current year scope is consistent with our approach to the prior year audit.

Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Independent auditor's report to the members of Harworth Group Plc continued

Climate change

Stakeholders are increasingly interested in how climate change will impact Harworth Group plc. The Group has determined that the most significant future impacts from climate change on its operations will be in relation to transition risks and physical risks, the components of which are explained on pages 54 to 60 in the required Task Force for Climate related Financial Disclosures and on pages 45 to 53 in the principal risks and uncertainties. They have also explained their climate commitments on page 67. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained in the critical accounting estimates and judgements (note 1) their articulation of how climate change has been reflected in the financial statements.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments and the significant judgements and estimates disclosed in note 1 and whether these have been appropriately reflected in the valuation of the property portfolio following the requirements of IAS 40 'Investment Property' in relation to the investment properties and IAS 2 'Inventories' in relation to the development property. As part of this evaluation, we performed our own risk assessment, supported by our climate change and property valuation internal specialists, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of Investment Property and Assets held for sale (2022: £460.2m, 2021: £480.3m) *Refer to the Audit Committee Report (page 108); Accounting policies (page 160); and Note 14 of the Consolidated Financial Statements (page 182)* At 31 December 2022 Investment property held a value of £400.4m (2021: £478.4m), with a valuation loss of £19.7m (2021: £8m gain) reported in the year. Investment properties designated as assets held for sale held a value of £59.8m (2021: £1.9m) Property valuations are calculated by the independent external valuer with a number of key assumptions specific to each individual property, including actual and estimated rental values, yields, costs to complete and expected land values per acre. There is a risk that the carrying value is misstated given the inherent uncertainty and judgement within these assumptions. In addition, there is a risk that management inappropriately override the valuation determined by the external valuer.	Our testing approach to Investment properties included: Performing a walkthrough to understand the key process and identify key controls. This included the valuation, acquisition and disposal processes. Assessing the appropriateness of the valuations, with the assistance of our EY Valuations specialists, through: • Testing the underlying data provided to the external valuer by management, by checking a sample to source documents (e.g. rental contracts, third party costs to complete assessments); • Attending a sample of sites, alongside the external valuer to gain a detailed understanding of the portfolio and the valuation process and to observe the specialist's inspection; • Reading the external valuer reports for a sample of sites and holding discussions directly with the external valuer regarding its valuation approach, including its consideration of climate risk; • Validating, for a sample of assets, the appropriateness of the key assumptions applied by the external valuer in forming its valuation by comparing to third party evidence of market activity (e.g. yields, price per acre) and considering contrary evidence; and Considering the location of a sample of assets within the UK and assessing whether there was any impairment risk due to potential flooding. Testing the appropriateness of any material adjustments from the valuation determined by the external valuer to the book value recorded. We performed the above audit procedures over this risk area at a Group level covering 100% of the risk amount.	Based on the work performed, we consider that the external valuers' methodologies used in developing the estimate are consistent with valuation practice given the characteristics of the assets being measured. Our work did not identify evidence to contradict the external valuers' significant assumptions used in developing the estimate as at the balance sheet date. We consider that the valuation of investment properties and assets held for sale as at the balance sheet date is appropriate

Independent auditor’s report to the members of Harworth Group Plc continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Carrying value of Development Property (2022: £205.0m, 2021: £172.7m) *Refer to the Audit Committee Report (page 108); Accounting policies (page 160); and Note 1 and Note 16 of the Consolidated Financial Statements (pages 160 and 190)* The book value of development property at 31 December 2022 was £205.0m. The Group’s portfolio consists of a range of assets at varying stages of development, across various sectors and geographies. A risk exists that the carrying value of development property is overstated given the inherent judgements in determining the net realisable value, such as value per acre/ plot or planning permission uncertainty, as well as costs to complete. In addition, there is a risk that management inappropriately override the valuation determined by the external valuer. Management LTIPs and Bonuses are based largely on NDV and therefore exists an incentive for management to maximise this value.	Our approach to assessing the net realisable value of development property included performing the same procedures as for investment property, as listed above, with additional consideration of the appropriateness of the cost to complete assumptions. For a sample of development properties, we validated cost to complete assumptions to third party surveyor reports and also held a discussion with management to assess the appropriateness of climate related costs included and corroborated their inclusion to the surveyor reports obtained. This testing was supplemented by procedures over the book value (cost) of the assets, which included: • Testing a sample of costs incurred to third party invoices to ensure they had been accounted for correctly and coded to the correct project. • Agreeing a sample of acquisitions and disposals made in the year to the signed contract. • Confirming the classification of properties is appropriate based on the nature of the site. We performed the above audit procedures over this risk area at a Group level covering 100% of the risk amount.	Based on the work performed, we consider that the external valuer’s methodologies used in developing the estimate of net realisable value are consistent with valuation practice given the characteristics of the assets being measured. Our work did not identify evidence to contradict the external valuer’s significant assumptions used in developing the estimate as of the balance sheet date. We consider that the carrying value of development properties held as of the balance sheet date is appropriate.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition – manual topside adjustments and cut-off (2022: £166.7m, 2021: £109.9m) *Refer to the Accounting policies (page 160); and Note 3 of the Consolidated Financial Statements (page 173)* Revenue for the period ended 31 December 2022 is £166.7m, made up of £124.9m from the Sale of Development Property, £31.3m from Income Generation activities and £10.5m from Other Revenue activities. Due to the manual nature of postings to revenue in respect of property sales and the potential for manual topside adjustments to all revenue streams there is a risk that management could override the revenue recorded throughout the year. In addition, there is a risk that property sales recorded around the year end are not in line with contract completion due to management override.	Our approach included: • Performing walkthroughs to understand the key processes and identify key controls. This was done by selecting relevant transactions and tracing them through the processes. *Development Property Sales:* • Testing all material property disposals to confirm revenue recognised in the period is in line with the contract terms and completion date. • Testing all material January 2023 disposals to confirm revenue should be recorded post year end. • Assessing material manual journals posted to revenue throughout the year which have not been posted to receivables or cash by corroborating to supporting documentation, for any evidence of management override / bias. *Income Generation:* • Testing revenue generated from rental income, royalty income and service charges within our revenue analytics programme, validating that revenue flows through trade receivables and is settled via cash. We tested all material items that did not demonstrate this pattern. *External Sales:* • Testing all significant postings to external sales, considering if they demonstrated evidence of management override or bias. *Design and Build Revenue* • We have agreed the total revenue that can be recognised as per the contract. We have then subtracted the revenue that was recognised in the prior year from these figures to determine the expected FY22 revenue, which we compared to the revenue recorded in the year. We performed the above audit procedures over this risk area at a Group level covering 100% of the risk amount.	Based on our audit procedures we have concluded that revenue is appropriately recognised, and that there was no evidence of management bias.

In the prior year, our auditor's report did not include a key audit matter in relation to revenue recognition. In the current year, given the significant increase in the level of development property sales we have included a key audit matter in relation to revenue recognition.

Independent auditor's report to the members of Harworth Group Plc continued

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £7.8million (2021: £7.6million), which is 1% (2021: 1%) of total assets. We believe that total assets would be the most appropriate basis for determining overall materiality given that key users of the Group's financial statements are primarily focused on the valuation of the Group's assets, primarily the investment property portfolio.

We determined materiality for the Parent Company to be £2.4 million (2021: £2.1 million), which is 1% (2021: 1%) of total assets, being the primary focus of the users of the financial statements.

During the course of our audit, we reassessed initial materiality and amended it for the year end results.

Specific materiality

We assessed that for account balances not related to the property portfolio, and loans and borrowings, a misstatement of less than overall materiality for the financial statements could influence the economic decisions of users. We determined that specific materiality for these areas should be based on Profit before property revaluation movements, finance costs and tax. We believe that it is appropriate to use a profit-based measure for specific materiality as profit is also a focus of users of the financial statements.

During the course of our audit, we reassessed initial materiality and amended it for the year end results

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2021: 75%) of our planning materiality, namely £5.9m (2021: £5.7m). We have set performance materiality at this percentage due to this being our third year of engagement and, from our prior year experience, an expectation of a low level of audit differences.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.4m (2021: £0.4m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 2 to 139, 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, except to the extent otherwise explicitly stated in this report, 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 this gives rise to 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance statement and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the strategic report or the directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules

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:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit
- a Corporate Governance Statement has not been prepared by the company

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 138 to 139;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 40 to 41;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 138 to 139;
- Directors' statement on fair, balanced and understandable set out on page 136;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 45 to 53;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 111; and
- The section describing the work of the audit committee set out on page 106 to 112.

Independent auditor's report to the members of Harworth Group Plc continued

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 138 and 139, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 group and parent 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 group or the parent 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 company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (UK adopted International Accounting Standards, the Companies Act 2006 and the UK Corporate Governance Code).
- We understood how Harworth Group plc is complying with those frameworks by making inquiries of management, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our inquiries through our review of board minutes, papers provided to the audit committee and discussions with the audit committee.
- We assessed the susceptibility of the group'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.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of Legal Counsel, Group management and focused testing, as referred to in the key audit matters section above. 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, UK legislation and the UK Corporate Governance Code 2016.

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

Other matters we are required to address

- Following the recommendation from the audit committee we were appointed by the company on 13 July 2020 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is three years, covering the years ending 31 December 2020 to 31 December 2022.

The audit opinion is consistent with the additional report to the audit committee.

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.

Victoria Venning (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester

13 March 2023

Consolidated income statement

for the year ended 31 December 2022

	Note	**Year ended 31 December 2022 £'000**	Year ended 31 December 2021 £'000
Revenue	3	**166,685**	109,884
Cost of sales	3	**(83,292)**	(61,185)
Gross profit	3	**83,393**	48,699
Administrative expenses	3	**(22,090)**	(19,202)
Other (losses)/gains	3	**(16,761)**	92,488
Other operating expense	3	**(56)**	(58)
Operating profit	3	**44,486**	121,927
Finance costs	6	**(6,367)**	(4,100)
Finance income	6	**227**	182
Share of (loss)/profit of joint ventures (including impairment)	15	**(7,487)**	9,225
Profit before tax		**30,859**	127,234
Tax charge	8	**(3,021)**	(33,244)
Profit for the year		**27,838**	93,990

All activities in the year are derived from continuing operations.

Earnings per share from continuing operations attributable to the owners of the Group during the year

	Note	**Pence**	Pence
Basic earnings per share	11	**8.6**	29.1
Diluted earnings per share	11	**8.5**	28.9

The Notes on pages 160 to 205 are an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2022

	Note	**Year ended 31 December 2022 £'000**	Year ended 31 December 2021 £'000
Profit for the financial year		**27,838**	93,990
Other comprehensive income/(expense) – *items that will not be reclassified to profit or loss:*			
Net actuarial gain in Blenkinsopp Pension scheme	24	**295**	262
Revaluation of Group occupied property		**(133)**	(200)
Deferred tax on other comprehensive expense items	8	**(101)**	(137)
Other comprehensive income – *items that may be reclassified to profit or loss:*			
Fair value of financial instruments	22	**156**	670
Total other comprehensive income		**217**	595
Total comprehensive income for the year		**28,055**	94,585

Consolidated balance sheet

for the year ended 31 December 2022

	Note	As at 31 December 2022 £'000	As at 31 December 2021 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**600**	681
Right of use assets	13	**254**	94
Trade and other receivables	17	**4,013**	5,369
Investment properties	14	**400,363**	478,355
Investments in joint ventures	15	**29,828**	36,131
		435,058	520,630
Current assets			
Inventories	16	**216,393**	177,822
Trade and other receivables	17	**56,658**	49,755
Assets held for sale	18	**59,790**	1,925
Cash	19	**11,583**	12,037
		344,424	241,539
Total assets		**779,482**	762,169
LIABILITIES			
Current liabilities			
Borrowings	20	**(3,067)**	–
Trade and other payables	21	**(82,499)**	(94,316)
Lease liability	13	**(82)**	(42)
Current tax liabilities	8	**(7,013)**	(2,947)
		(92,661)	(97,305)
Non-current assets		**251,763**	144,234
Non-current liabilities			
Borrowings	20	**(56,911)**	(37,781)
Trade and other payables	21	**(2,819)**	(5,686)
Lease liability	13	**(172)**	(52)
Derivative financial instruments	22	**–**	(156)
Deferred income tax liabilities	8	**(24,141)**	(42,647)
Retirement benefit obligations	24	**(114)**	(558)
		(84,157)	(86,880)
Total liabilities		**(176,818)**	(184,185)
Net assets		**602,664**	577,984
SHAREHOLDERS' EQUITY			
Capital and reserves			
Called up share capital	26	**32,305**	32,272
Share premium account	27	**24,688**	24,627
Fair value reserve		**174,520**	199,629
Capital redemption reserve		**257**	257
Merger reserve		**45,667**	45,667
Investment in own shares		**(50)**	(24)
Retained earnings		**297,439**	181,566
Current year profit		**27,838**	93,990
Total shareholders' equity		**602,664**	577,984

The financial statements on pages 152 to 205 were approved by the Board of Directors on 13 March 2023 and were signed on its behalf by:

Lynda M. Shillaw

Lynda Shillaw
Chief Executive
Company Registered Number 02649340

K. Patmore

Katerina Patmore
Chief Financial Officer

Company balance sheet

for the year ended 31 December 2022

	Note	As at 31 December 2022 £'000	As at 31 December 2021 £'000
ASSETS			
Non-current assets			
Investment in subsidiaries	15	**209,864**	209,300
Trade and other receivables	17	**28,647**	–
Retirement reimbursement asset	24	**114**	558
Deferred income tax assets	8	**112**	229
		238,737	210,087
Current assets			
Trade and other receivables	17	**297**	27,751
Current tax asset	8	**480**	–
Cash	19	**1,433**	2,909
		2,210	30,660
Total assets		**240,947**	240,747
LIABILITIES			
Current liabilities			
Trade and other payables	21	**(36,347)**	(26,287)
		(36,347)	(26,287)
Net current (liabilities)/assets		**(34,137)**	4,373
Non-current liabilities			
Retirement benefit obligations	24	**(114)**	(558)
		(114)	(558)
Total liabilities		**(36,461)**	(26,845)
Net assets		**204,486**	213,902
SHAREHOLDERS' EQUITY			
Called up share capital	26	**32,305**	32,272
Share premium account	27	**24,688**	24,627
Capital redemption reserve		**257**	257
Merger reserve		**45,667**	45,667
Investment in own shares		**(50)**	(24)
Retained earnings		**108,001**	119,481
Current year loss	9	**(6,382)**	(8,378)
Total shareholders' equity		**204,486**	213,902

The financial statements on pages 152 to 205 were approved by the Board of Directors on 13 March 2023 and were signed on its behalf by:

Lynda Shillaw
Chief Executive
Company Registered Number 02649340

Katerina Patmore
Chief Financial Officer

Consolidated statement of changes in equity

for the year ended 31 December 2022

	Note	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Fair value reserve £'000	Capital redemption reserve £'000	Investment in own shares £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2021		**32,253**	**24,567**	**45,667**	**132,833**	**257**	**(73)**	**253,208**	**488,712**
Profit for the financial year		–	–	–	–	–	–	93,990	93,990
Fair value gains on investment property		–	–	–	88,586	–	–	(88,586)	–
Transfer of unrealised gains on disposal of investment property		–	–	–	(21,590)	–	–	21,590	–
Other comprehensive (expense)/income:									
Actuarial gain in Blenkinsopp pension scheme	24	–	–	–	–	–	–	262	262
Revaluation of group occupied property		–	–	–	(200)	–	–	–	(200)
Fair value of financial instruments	22	–	–	–	–	–	–	670	670
Deferred tax on other comprehensive expense items	8	–	–	–	–	–	–	(137)	(137)
Total comprehensive income for year ended 31 December 2021		**–**	**–**	**–**	**66,796**	**–**	**–**	**27,789**	**94,585**
Transactions with owners:									
Purchase of own shares		–	–	–	–	–	(21)	–	(21)
Share-based payments		–	–	–	–	–	76	472	548
Dividends paid	10	–	–	–	–	–	–	(5,913)	(5,913)
Share issue	26,27	19	60	–	–	–	(6)	–	73
Balance at 31 December 2021		**32,272**	**24,627**	**45,667**	**199,629**	**257**	**(24)**	**275,556**	**577,984**
Profit for the financial year		–	–	–	–	–	–	27,838	27,838
Fair value losses on investment property		–	–	–	(10,019)	–	–	10,019	–
Transfer of unrealised gains on disposal of investment property		–	–	–	(14,957)	–	–	14,957	–
Other comprehensive (expense)/income:									
Actuarial gain in Blenkinsopp pension scheme	24	–	–	–	–	–	–	295	295
Revaluation of group occupied property		–	–	–	(133)	–	–	–	(133)
Fair value of financial instruments	22	–	–	–	–	–	–	156	156
Deferred tax on other comprehensive expense items	8	–	–	–	–	–	–	(101)	(101)
Total comprehensive (expense)/income for year ended 31 December 2022		**–**	**–**	**–**	**(25,109)**	**–**	**–**	**53,164**	**28,055**
Transactions with owners:									
Purchase of own shares		–	–	–	–	–	(26)	–	(26)
Share-based payments		–	–	–	–	–	–	589	589
Dividends paid	10	–	–	–	–	–	–	(4,032)	(4,032)
Share issue	26,27	33	61	–	–	–	–	–	94
Balance at 31 December 2022		**32,305**	**24,688**	**45,667**	**174,520**	**257**	**(50)**	**325,277**	**602,664**

Company statement of changes in equity

for the year ended 31 December 2022

	Note	Called up share capital £000	Share premium £000	Merger reserve £000	Capital redemption reserve £000	Investment in own shares £000	Retained earnings £000	Total equity £000
Balance at 1 January 2021		**32,253**	**24,567**	**45,667**	**257**	**(73)**	**124,792**	**227,463**
Loss for the financial year		–	–	–	–	–	(8,378)	(8,378)
Actuarial gain in Blenkinsopp pension scheme	24	–	–	–	–	–	262	262
Deferred tax on other comprehensive expense items		–	–	–	–	–	(34)	(34)
Total comprehensive expense for the year ended 31 December 2021		**–**	**–**	**–**	**–**	**–**	**(8,150)**	**(8,150)**
Transactions with owners:								
Purchase of own shares		–	–	–	–	(21)	–	(21)
Share-based payments		–	–	–	–	76	374	450
Dividends paid	10	–	–	–	–	–	(5,913)	(5,913)
Share issue	26,27	19	60	–	–	(6)	–	73
Balance at 31 December 2021		**32,272**	**24,627**	**45,667**	**257**	**(24)**	**111,103**	**213,902**
Loss for the financial year		–	–	–	–	–	(6,382)	(6,382)
Actuarial gain in Blenkinsopp pension scheme	24	–	–	–	–	–	295	295
Deferred tax on other comprehensive expense items		–	–	–	–	–	(58)	(58)
Total comprehensive expense for the year ended 31 December 2022		**–**	**–**	**–**	**–**	**–**	**(6,145)**	**(6,145)**
Transactions with owners:								
Purchase of own shares		–	–	–	–	(26)	–	(26)
Share-based payments		–	–	–	–	–	693	693
Dividends paid	10	–	–	–	–	–	(4,032)	(4,032)
Share issue	26,27	33	61	–	–	–	–	94
Balance at 31 December 2022		**32,305**	**24,688**	**45,667**	**257**	**(50)**	**101,619**	**204,486**

Consolidated statement of cash flows

for the year ended 31 December 2022

	Note	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Cash flows from operating activities			
Profit before tax for the financial year		**30,859**	127,234
Net finance costs	6	**6,140**	3,918
Other losses/(gains)	3	**16,761**	(92,488)
Share of loss/(profit) of joint ventures (including impairment)	15	**7,487**	(9,225)
Share-based transactions (1)	25	**728**	426
Depreciation of property, plant and equipment and right of use assets	12,13	**152**	234
Pension contributions in excess of charge	24	**(149)**	(148)
Operating cash inflows before movements in working capital		**61,978**	29,951
Decrease in inventories		**16,502**	4,133
Increase in receivables		**(6,482)**	(3,715)
(Decrease)/increase in payables		**(13,137)**	26,669
Cash generated from operations		**58,861**	57,038
Interest paid		**(3,998)**	(3,531)
Corporation tax paid		**(17,702)**	(3,646)
Cash generated from operating activities		**37,161**	49,861
Cash flows from investing activities			
Interest received		**227**	182
Investment in joint ventures		**(1,849)**	(1,624)
Distribution from joint ventures		**665**	34
Net proceeds from disposal of investment properties, AHFS and overages		**14,232**	44,472
Property acquisitions		**(13,445)**	(18,105)
Expenditure on investment properties and AHFS		**(53,107)**	(22,851)
Expenditure on property, plant and equipment		**(110)**	(32)
Cash (used in)/generated from investing activities		**(53,387)**	2,076
Cash flows from financing activities			
Net proceeds from issue of ordinary shares		**67**	68
Purchase of own shares		**–**	(21)
Proceeds from other loans		**19,850**	4,900
Repayment of other loans		**–**	(4,425)
Proceeds from bank loans		**154,000**	45,000
Repayment of bank loans		**(152,000)**	(91,000)
Loan arrangement fees paid		**(2,022)**	(1,134)
Payment in respect of leases		**(91)**	(85)
Dividends paid	10	**(4,032)**	(5,913)
Cash generated from/(used in) financing activities		**15,772**	(52,610)
Decrease in cash		**(454)**	(673)
Cash at 1 January		**12,037**	12,710
Decrease in cash		**(454)**	(673)
Cash at 31 December		**11,583**	12,037

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

Company statement of cash flows

for the year ended 31 December 2022

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Cash flows from operating activities		
Loss before tax for the financial year	**(6,358)**	(6,479)
Net interest receivable/(payable)	**17**	(80)
Share-based transactions [1]	**165**	109
Pension contributions in excess of charge, net of movement in reimbursement asset	**295**	262
Operating cash outflows before movements in working capital	**(5,881)**	(6,188)
(Increase)/decrease in receivables	**(1,193)**	1,744
Increase in payables	**10,060**	11,487
Cash generated from operations	**2,986**	7,043
Interest paid	**(965)**	–
Corporation tax paid	**(480)**	–
Cash generated from operating activities	**1,541**	7,043
Cash flows from investing activities		
Interest received	**948**	80
Cash generated from investing activities	**948**	80
Cash flows from financing activities		
Net proceeds from issue of ordinary shares	**67**	68
Purchase of own shares	**–**	(21)
Dividends paid	**(4,032)**	(5,913)
Cash used in financing activities	**(3,965)**	(5,866)
(Decrease)/increase in cash	**(1,476)**	1,257
Cash at 1 January	**2,909**	1,652
(Decrease)/increase in cash	**(1,476)**	1,257
Cash at 31 December	**1,433**	2,909

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

Notes to the financial statements

for the year ended 31 December 2022

1. Accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all of the years presented, unless otherwise stated.

General information

Harworth Group plc, company number 02649340, (the 'Company') is a company limited by shares, incorporated and domiciled in the United Kingdom. The address of its registered office is Advantage House, Poplar Way, Catcliffe, Rotherham, South Yorkshire, S60 5TR.

The Company is a public company listed on the London Stock Exchange.

The consolidated financial statements for the year ended 31 December 2022 consolidate the results of the Company and its subsidiaries (together referred to as the 'Group').

Basis of preparation

The Consolidated and Company financial statements of Harworth Group plc have been prepared on the going concern basis and in accordance with UK adopted International Accounting Standards ('IFRS') and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets and liabilities at fair value through profit or loss.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report in the Annual Report and the financial statements and notes. The Directors believe that the Group is well placed to manage its business risks successfully. The principal risks that may impact the Group's performance and their mitigation are outlined in the Principal Risks & Uncertainties statement starting on page 36. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to fund its operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the annual financial statements.

Going-concern basis

These financial statements are prepared on the basis that the Group is a going concern. In forming its opinion as to going concern, the Company prepares cash flow and banking covenant forecasts based upon its assumptions with particular consideration to the key risks and uncertainties and the current macro-economic environment as well as taking into account available borrowing facilities. The going concern period assessed is until June 2024 which has been selected as it can be projected with a good degree of expected accuracy and covers a complete period of reporting under the Group's RCF.

A key focus of the assessment of going concern is the management of liquidity and compliance with borrowing facilities for the period to June 2024. During the year; a new five year £200m RCF was agreed with HSBC joining as a new lender in addition to current lenders NatWest and Santander. The new RCF is aligned to the Group's strategy and provides significant additional liquidity and flexibility to enable it to pursue its strategic objectives. The new facility is subject to financial covenants, including minimum interest cover, maximum infrastructure debt as a percentage of property value and gearing, all of which are tested through the going concern assessment undertaken. Available liquidity, including cash and cash equivalents and bank facility headroom was £175.6m as at 31 December 2022.

The Group benefits from diversification across its Capital Growth and Income Generation businesses including its industrial and renewable energy property portfolio. Taking into account the independent valuation by BNP Paribas and Savills, the Group net loan-to-portfolio value remains low at 6.6%, within the Board's target range and with headroom to allow for falls in property values. Rent collection remained strong, with 99% collected to date for 2022.

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

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 cashflow and banking covenants. A scenario with consideration of potential climate change and related transition impacts was also examined as part of the Group's focus on climate-related risks and opportunities.

1. Accounting policies continued

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

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 Group's and Company's financial statements.

Changes in accounting policy and disclosures

(a) New standards, amendments and interpretations

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

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2023 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

Revenue recognition

Revenue comprises rental and other land-related income arising on investment properties, income from construction contracts, planning promotion agreements, promote fees and overages, the sale of coal fines and the sale of development properties.

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Group 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 Group 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 Group recognises revenue when it transfers control over a product or service to a customer.

Income from construction contracts is recognised in line with the accounting policy for construction contracts. Revenue is recognised when the Group is acting as a principal under a contract with primary responsibility for the contract.

Revenue from planning promotion agreements, promote fees and overages are recognised at the point in time when the associated performance obligations contained within the agreements are satisfied.

Royalty income relates to revenue paid by customers who extract natural resources from some of the Group's property and is recognised at the transaction prices set out in the customer contracts in line with the volumes or values of resources extracted as determined by individual contracts.

Revenue from the sale of coal fines is recognised at the point of despatch.

Service charge income is recognised as revenue in the period to which it relates.

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.

Notes to the financial statements

for the year ended 31 December 2022

1. Accounting policies continued

Construction contracts

Contracts for the construction of substantial assets are accounted for as construction contracts. Revenue on construction contracts is recognised over time, as the performance obligations are satisfied. Revenue is recognised over time if the Group's performance creates or enhances an asset that the customer controls as the asset is created. Otherwise, the revenue is recognised at a point in time. The revenue is reported in Other Property Activities within Note 3. Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion. The assessment of the stage of completion is dependent on the nature of the contracts but will generally be based on the estimated proportion of the total contract costs which have been incurred to date. If a contract is expected to be loss making, a provision is recognised when the contract is, or has become, onerous in accordance with IAS 37.

Interest income and expense

Interest income and expense are recognised within 'finance income' and 'finance costs' in the income statement using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability.

Inventories

Inventories comprise development properties, land held for development, options to purchase land, planning promotion agreements and coal fines that have been processed and are ready for sale.

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.

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 Group 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.

Options to purchase land are agreements that the Group has entered into with landowners whereby the Group has the option to purchase their land within a limited timeframe. The landowners are not generally permitted to sell to any other party during this period, unless agreed by the Group. All costs, including the cost of entering into the option, are capitalised. At each reporting date, recoverability of the costs is considered by management and where required provisions are made such that the agreements are held at the lower of cost and net realisable value.

Planning promotion agreements are agreements that the Group has entered into with landowners whereby the Group provides planning and promotion services in exchange for a fixed fee and/or a set percentage of the proceeds or profit of the eventual sale of the land that is the subject of the agreement. The Group promotes the land through the planning process at its own expense. If the land is sold, the Group receives a fee for its services.

The Group incurs various costs in promoting land held under promotion planning agreements, in some instances the agreements allow for the Group to be reimbursed certain expenditure following the conclusion of a successful sale. These costs are held in inventory at the lower of cost and net realisable value.

Coal fines that have been processed and are ready for sale are stated at the lower of cost and estimated net realisable value. Inventories comprise all of the direct costs incurred in bringing the coal fines to their present state.

Investments in subsidiaries

Investments held by the Company in subsidiary undertakings are carried at cost less impairments to write them down to their recoverable amount.

1. Accounting policies continued

Investments in joint ventures

Joint ventures are those entities over whose activities the Group has joint control established by contractual agreement. Interests in joint ventures through which the Group carries on its business are classified as jointly controlled entities and accounted for using the equity method. This involves recording the investment initially at cost to the Group and then, in subsequent years, adjusting the carrying amount of the investment to reflect the Group's share of the joint venture's results less any impairment in carrying value and any other changes to the joint venture's net assets such as dividends.

Impairments in subsidiaries

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

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.

Investment properties

Investment properties are those properties which are not occupied by the Group and which are held for long-term rental yields, capital appreciation or both. Investment properties also include property that is being developed or constructed for future use as investment property by the Group. Investment properties comprise freehold land and buildings and are measured at fair value. At the end of a financial year the fair values are determined by obtaining an independent valuation prepared in accordance with the current edition of the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors. External, independent valuation firms having appropriate, recognised professional qualifications and recent experience in the location and category of property being valued are used. A transfer to the fair value reserve is made for all fair value gains in the year from retained earnings. Where there have been previous fair value gains transferred to the fair value reserve and fair value losses have been incurred in the year then a transfer is made to retained earnings to offset as much of the fair value losses as possible.

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.

A transfer from the fair value reserve to retained earnings is made if any net realisable value provision is required on any development property where gains had previously been recorded as an investment property.

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 12 months, a sale is considered highly probable and the property is immediately available for sale, their fair value is shown under assets held for sale (AHFS) 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 is passed to a customer, typically at the point of legal completion and when title passes. 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) is recognised in the income statement. Net carrying value includes valuation in the case of investment properties.

In the case of investment properties, any fair value reserve for the property disposed of is treated as realised on disposal of the property and transferred to retained earnings.

Investment properties in the course of construction

Directly attributable costs incurred in the course of constructing a property, not including interest, are capitalised as part of the cost of the property. Any resultant change in value is therefore recognised through the next revaluation.

Notes to the financial statements

for the year ended 31 December 2022

1. Accounting policies continued

Government grants

Government grants are recognised when there is reasonable assurance that the conditions associated with the grants have been complied with and the grants will be received. Grants related to the development of Investment Property and Development Property are deducted from the cost of the related asset. Grants for the reimbursement of operating expenditure are deducted from the related category of costs in the income statement. Once a government grant is recognised, any related deferred income is treated in accordance with IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance'.

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 include cash received from the sale of certain development properties but held in separate bank accounts over which third party infrastructure loan providers have a charge.

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 de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group 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 as other liabilities, as appropriate. A financial liability is de-recognised when the obligation under the liability is discharged, 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.

Pension obligations

The Group contributes to defined contribution schemes for its current employees. The cost is charged to the consolidated income statement as incurred.

Blenkinsopp 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 2022 and 31 December 2021 all contributions have been paid to this scheme by the Company.

In the Company balance sheet, a net liability equal to the IAS 19 (revised) liability is recognised, and an equal amount within non-current assets, due to its ability to call upon an indemnity from Harworth Estates Mines Property Limited for this liability if required. Harworth Estates Mines Property Limited is a wholly owned subsidiary of the Group.

Share-based payments

Equity-settled share-based payments to employees of the Company and its subsidiary undertakings are measured at the fair value of the equity instruments at the date of grant and are expensed on a straight-line basis over the vesting period in the consolidated income statement. The fair value of the equity instruments is determined at the date of grant taking into account any market-based vesting conditions attached to the award. Non-market based vesting conditions are taken into account in estimating the number of awards likely to vest. The estimate of the number of awards likely to vest is reviewed regularly and the expense charge adjusted accordingly.

1. Accounting policies continued

Operating segments

Management has determined the operating segments based upon the operating reports reviewed by the Investment Committee that are used to assess both performance and strategic decisions. Management has identified that the Investment Committee is the Chief Operating Decision Maker in accordance with the requirements of IFRS 8 'Operating Segments'.

The Group is organised into two operating segments: Income Generation and Capital Growth. Group costs are not a reportable segment. However, information about them is considered by the Investment Committee in conjunction with the reportable segments.

The Income Generation segment focuses on generating rental returns from the investment portfolio, rental returns and royalties from energy generation, environmental technologies and the agricultural portfolio, and generating income 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 acquisition.

All operations are carried out in the United Kingdom.

Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, and liabilities and contingent liabilities, assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Costs related to acquisitions, other than those associated with the issue of debt or equity securities, are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated.

Share capital and reserves

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

Where shares are issued in direct consideration for acquiring shares in another company, and following which the Group holds at least 90% of the nominal share capital of that company, any premium on the shares issued as consideration is included in a merger reserve rather than share premium.

The merger reserve reflects the premium on the shares issued to the Pension Protection Fund as part of the consideration for the purchase of 75.1% of the issued share capital of Harworth Estates Property Group Limited in 2016.

The fair value reserve reflects the accumulation of fair value adjustments as detailed in the investment property and property, plant and equipment accounting policies.

Notes to the financial statements

for the year ended 31 December 2022

1. Accounting policies continued

Property, plant and equipment

Land and buildings relate to Group-occupied properties. These properties are stated at their fair value, based on market values, less any subsequent accumulated depreciation or accumulated impairment loss. Depreciation is provided where it is considered significant having regard to the estimated remaining useful lives and residual values of individual properties. Surpluses on revaluations are recorded in other comprehensive income and credited to the fair value reserve. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. Deficits on revaluations are charged against the fair value reserve to the extent that there are available surpluses relating to the same asset and are otherwise charged to profit or loss.

Office equipment is stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged on these assets so as to write off the cost or valuation of assets over their estimated useful lives of three to four years, using the straight-line method.

Derivatives and hedging

Derivative financial instruments such as interest rate swaps are entered into in order to manage interest rate risks. Such derivative instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedge item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedge risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

The effective portion of the gain or loss on the hedging instrument is recognised through other comprehensive income, while any ineffective portion is recognised immediately in profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale of the hedged item occurs.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

When a derivative is held as an economic hedge for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item. A derivative instrument that is a designated and effective hedging instrument is classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if: 1) a reliable allocation can be made; and 2) it is applied to all designated and effective hedging instruments.

Tax

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.

1. Accounting policies continued

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.

Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are as follows:

Estimation of fair value of investment properties

The fair value of investment property reflects, amongst other things, rental income from current leases, assumptions about rental income from future leases and 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 fair value is based on 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 determining fair value measurement, the impact of potential climate-related matters, including legislation, which may affect the fair value measurement of investment property has been considered.

The values reported are based on significant assumptions and a change in fair values could have a material impact on the Group's results. This is due to the sensitivity of fair value to the assumptions made as regards to variances in development costs compared to management`s own estimates.

Investment properties are disclosed in Note 14.

Estimation of 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.

2. Alternative Performance Measures ("APMs")

Introduction

The Group has applied the December 2019 European Securities and Markets Authority ("ESMA") guidance on APMs and the November 2017 Financial Reporting Council ("FRC") corporate thematic review of APMs in these results. An APM is a financial measure of historical or future financial performance, position or cash flows of the Group which is not a measure defined or specified in IFRS.

Overview of our use of APMs

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

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

Notes to the financial statements

for the year ended 31 December 2022

2. Alternative Performance Measures ("APMs") continued

The derivations of our APMs and their purpose

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

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

Our key APMs

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

- Total Return – The movement in EPRA NDV plus dividends per share paid in the year expressed as a percentage of opening EPRA NDV per share
- EPRA NDV per share – EPRA NDV divided by the number of shares in issue less shares held by the Employee Benefit Trust and Equiniti Share Plan Trustees Limited to satisfy Long Term Incentive Plan and Share Incentive Plan awards
- Value gains – These are the realised profits from the sales of properties and unrealised profits from property value movements including joint ventures and the mark to market movement on development properties, AHFS and overages
- Net loan to portfolio value (Net LTV) – Group debt net of cash held expressed as a percentage of portfolio value

Profit excluding value gains (PEVG) has not been included as a key APM from 2021 as it forms part of the EPRA NDV per share and Total Return key APMs but is a non-material component of these measures. PEVG is defined as property net rental, royalty and fee income, net of running costs of the business (adjusted operating profit). It represents the underlying profitability of the business not reliant on property value gains or profits from the sales of properties.

Set out below is a reconciliation of the APMs used in these results to the statutory measures.

2. Alternative Performance Measures ("APMs") continued

EPRA Net Asset Measures

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

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

	31 December 2021		
	EPRA NDV £'000	EPRA NTA £'000	EPRA NRV £'000
Net assets	577,984	577,984	577,984
Cumulative unrealised gains on development properties	72,452	72,452	72,452
Cumulative unrealised gains on AHFS	–	–	–
Cumulative unrealised gains on overages	3,500	3,500	3,500
Deferred tax liabilities (IFRS)	–	42,647	42,647
Notional deferred tax on unrealised gains	(16,483)	–	–
Deferred tax liabilities @ 50%	–	(29,565)	–
Mark to market valuation of financial instruments	–	156	156
Purchaser costs	–	–	51,105
	637,453	667,174	747,844
Number of shares used for per share calculations	322,539,284	322,539,284	322,539,284
Per share	197.6	206.9	231.9

Notes to the financial statements

for the year ended 31 December 2022

2. Alternative Performance Measures ("APMs") continued

1) Reconciliation to statutory measures

a. Revaluation (losses)/gains	Note	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
(Decrease)/increase in fair value of investment properties	3	**(19,725)**	83,961
(Decrease)/increase in fair value of AHFS	3	**(199)**	1,078
Share of (loss)/profit of joint ventures	3	**(7,487)**	9,225
Net realisable value provision on development properties	3	**(7,074)**	(1,574)
Reversal of previous net realisable value provision on development properties	3	**5,030**	4,393
Amounts derived from statutory reporting		**(29,455)**	97,083
Unrealised gains on development properties		**10,493**	50,437
Unrealised losses on AHFS		**–**	(15)
Unrealised gains on overages		**4,003**	500
Revaluation (losses)/gains		**(14,959)**	148,005

b. Profit on sale	Note	2022 £'000	2021 £'000
Profit on sale of investment properties	3	**923**	1,824
Profit on sale of AHFS	3	**2,071**	5,625
Profit on sale of development properties	3	**57,252**	11,223
Release of net realisable value provision on disposal of development properties	3	**1,649**	2,367
Profit on sale of overages	3	**169**	–
Amounts derived from statutory reporting		**62,064**	21,039
Less previously unrealised gains on development properties released on sale		**(49,093)**	(7,833)
Less previously unrealised gains on AHFS released on sale		**–**	(760)
Profit on sale		**12,971**	12,446

c. Value (losses)/gains	Note	2022 £'000	2021 £'000
Revaluation (losses)/gains		**(14,959)**	148,005
Profit on sale		**12,971**	12,446
Value (losses)/gains		**(1,988)**	160,451

d. Total property sales	Note	2022 £'000	2021 £'000
Revenue		**166,685**	109,884
Less revenue from other property activities	3	**(10,478)**	(14,799)
Less revenue from income generation activities	3	**(31,251)**	(28,773)
Add proceeds from sales of investment properties, AHFS and overages		**13,550**	41,956
Total property sales		**138,506**	108,268

e. Operating profit contributing to growth in EPRA NDV	Note	2022 £'000	2021 £'000
Operating profit		**44,486**	121,927
Share of (loss)/profit of joint ventures	15	**(7,487)**	9,225
Unrealised gains on development properties		**10,493**	50,437
Unrealised losses on AHFS		**–**	(15)
Unrealised gains on overages		**4,003**	500
Less previously unrealised gains on development properties released on sale		**(49,093)**	(7,833)
Less previously unrealised gains on AHFS released on sale		**–**	(760)
Operating profit contributing to growth in EPRA NDV		**2,402**	173,481

2. Alternative Performance Measures ("APMs") continued

f. Portfolio Value	Note	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Land and buildings (included within property, plant and equipment)		**500**	635
Investment properties	14	**400,363**	478,355
Investments in joint ventures	15	**29,828**	36,131
AHFS	18	**59,790**	1,925
Development properties (included within inventories)	16	**204,952**	172,701
Amounts derived from statutory reporting		**695,433**	689,747
Cumulative unrealised gains on development properties as at year end		**33,852**	72,452
Cumulative unrealised gains on overages as at year end		**7,500**	3,500
Portfolio value		**736,785**	765,699

g. Net debt			
Gross borrowings	20	**(59,978)**	(37,781)
Cash		**11,583**	12,037
Net debt		**(48,395)**	(25,744)

h. Net loan to portfolio value (%)			
Net debt		**(48,395)**	(25,744)
Portfolio value		**736,785**	765,699
Net loan to portfolio value (%)		**6.6%**	3.4%

i. Net loan to core income generation portfolio value (%)			
Net debt		**(48,395)**	(25,744)
Core income generation portfolio value (investment portfolio and natural resources)	14	**230,133**	290,277
Net loan to core income generation portfolio value (%)		**21.0%**	8.9%

j. Gross loan to portfolio value (%)			
Gross borrowings	20	**(59,978)**	(37,781)
Portfolio value		**736,785**	765,699
Gross loan to portfolio value (%)		**8.1%**	4.9%

k. Gross loan to core income generation portfolio value (%)			
Gross borrowings	20	**(59,978)**	(37,781)
Core income generation portfolio value (investment portfolio and natural resources)	14	**230,133**	290,277
Gross loan to core income generation portfolio value (%)		**26.1%**	13.0%

l. Number of shares used for per share calculations			
Number of shares in issue	26	**323,051,124**	322,724,566
Less Employee Benefit Trust and Equiniti Share Plan Trustees Limited held shares (own shares)	26	**(438,439)**	(185,282)
Number of shares used for per share calculations	26	**322,612,685**	322,539,284

m. Net Asset Value (NAV) per share			
NAV £'000		**602,664**	577,984
Number of shares used for per share calculations	26	**322,612,685**	322,539,284
NAV per share (p)		**186.8**	179.2

Notes to the financial statements

for the year ended 31 December 2022

2. Alternative Performance Measures ("APMs") continued

2) Reconciliation to EPRA measures

a. EPRA NDV	Note	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Net assets		**602,664**	577,984
Cumulative unrealised gains on development properties		**33,852**	72,452
Cumulative unrealised gains on overages		**7,500**	3,500
Notional deferred tax on unrealised gains		**(10,171)**	(16,483)
EPRA NDV		**633,845**	637,453

b. EPRA NDV per share (p)	Note	2022	2021
EPRA NDV £'000		**633,845**	637,453
Number of shares used for per share calculations	26	**322,612,685**	322,539,284
EPRA NDV per share (p)		**196.5**	197.6

c. EPRA NDV growth and total return	Note	2022	2021
Opening EPRA NDV/share (p)		**197.6**	160.0
Closing EPRA NDV/share (p)		**196.5**	197.6
Movement in the year (p)		**(1.1)**	37.6
EPRA NDV growth		**(0.6%)**	23.5%
Dividends paid per share (p)		**1.2**	1.8
Total return per share (p)		**0.1**	39.4
Total return as a percentage of opening EPRA NDV		**0.1%**	24.6%

d. Net loan to EPRA NDV	Note	2022	2021
Net debt		**(48,395)**	(25,744)
EPRA NDV		**633,845**	637,453
Net loan to EPRA NDV		**7.6%**	4.0%

3. Segmental Information

Segmental Income Statement

31 December 2022

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

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

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

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

Notes to the financial statements

for the year ended 31 December 2022

3. Segmental Information continued

Segmental Balance Sheet

31 December 2022

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

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

3. Segmental Information continued

Segmental Income Statement

31 December 2021

	Capital Growth: Sale of Development Properties £'000	Capital Growth: Other Property Activities £'000	Income Generation £'000	Central £'000	Total £'000
Revenue [1]	66,312	14,799	28,773	–	109,884
Cost of sales	(49,903)	(3,169)	(8,113)	–	(61,185)
Gross profit [2]	16,409	11,630	20,660	–	48,699
Administrative expenses	–	(3,365)	(2,130)	(13,707)	(19,202)
Other gains/losses [3]	–	57,483	35,005	–	92,488
Other operating expense	–	–	–	(58)	(58)
Operating profit/(loss)	16,409	65,748	53,535	(13,765)	121,927
Finance costs	–	–	–	(4,100)	(4,100)
Finance income	–	172	–	10	182
Share of profit of joint ventures	–	4,524	4,701	–	9,225
Profit/(loss) before tax	16,409	70,444	58,236	(17,855)	127,234

(1) Revenue					
Revenue is analysed as follows:					
Sale of development properties	66,312	–	–	–	66,312
Build-to-suit development revenue	–	2,544	–	–	2,544
Rent, service charge and royalties revenue	–	242	26,383	–	26,625
Revenue from coal fines	–	–	622	–	622
Other revenue	–	12,013	1,768	–	13,781
	66,312	14,799	28,773	–	109,884

(2) Gross profit					
Gross profit is analysed as follows:					
Gross profit excluding sales of development properties	–	11,630	20,660	–	32,290
Gross profit on sale of development properties	11,223	–	–	–	11,223
Net realisable value provision on development properties	(1,574)	–	–	–	(1,574)
Reversal of previous net realisable value provision on development properties	4,393	–	–	–	4,393
Release of previous net realisable value provision on disposal of development properties	2,367	–	–	–	2,367
	16,409	11,630	20,660	–	48,699

(3) Other gains/(losses)					
Other gains/(losses) are analysed as follows:					
Increase in fair value of investment properties	–	55,220	28,741	–	83,961
Increase in fair value of AHFS	–	364	714	–	1,078
Profit/(loss) on sale of investment properties	–	1,871	(47)	–	1,824
Profit on sale of AHFS	–	28	5,597	–	5,625
	–	57,483	35,005	–	92,488

Notes to the financial statements

for the year ended 31 December 2022

3. Segmental Information continued

Segmental Balance Sheet

31 December 2021

	Capital Growth £'000	Income Generation £'000	Central £'000	Total £'000
Non-current assets				
Property, plant and equipment	–	–	681	681
Right of use assets	–	–	94	94
Other receivables	4,285	1,084	–	5,369
Investment properties	182,666	295,689	–	478,355
Investments in joint ventures	18,929	17,202	–	36,131
	205,880	**313,975**	**775**	**520,630**
Current assets				
Inventories	177,720	102	–	177,822
Trade and other receivables	35,737	13,665	353	49,755
AHFS	1,925	–	–	1,925
Cash and cash equivalents	–	–	12,037	12,037
	215,382	**13,767**	**12,390**	**241,539**
Total assets	**421,262**	**327,742**	**13,165**	**762,169**

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

4. Operating profit

	Note	**Year ended 31 December 2022 £'000**	Year ended 31 December 2021 £'000
Operating profit before tax is stated after charging/(crediting):			
Net realisable value provision on development properties	16	**395**	(5,186)
Staff costs	5	**13,690**	11,626
Depreciation of property, plant and equipment and right of use assets	12, 13	**152**	234

5. Employee information

The monthly average number of persons (excluding Non-Executive Directors) employed by the Group during the year was:

	Group		**Company**	
	Year ended 31 December 2022 Number	Year ended 31 December 2021 Number	**Year ended 31 December 2022 Number**	Year ended 31 December 2021 Number
Management and administration	**107**	85	**3**	3

Remuneration details of these persons were as follows:

	Group		**Company**	
	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000	**Year ended 31 December 2022 £'000**	Year ended 31 December 2021 £'000
Wages and salaries	**10,825**	9,741	**1,399**	2,357
Share-based payment expense	**703**	546	**157**	116
Social security costs	**1,383**	800	**278**	95
Other pension costs	**779**	539	**50**	41
	13,690	11,626	**1,884**	2,609

5. Employee information continued

Key management remuneration relates to the members of the Investment Committee:

	Group	
	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Short term employee benefits	**4,514**	4,278
Post employment benefits	**213**	153
Share-based payments	**490**	463
	5,217	4,894

Detailed information relating to Directors' remuneration is disclosed in the Directors' remuneration report on pages 115 to 133 and forms part of these financial statements.

6. Finance costs and finance income

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Total finance income	**227**	182
Finance costs		
– Bank interest	**(2,206)**	(2,795)
– Facility fees	**(1,791)**	(745)
– Amortisation of up-front fees	**(685)**	(362)
– Acceleration of amortisation of up-front fees following extinguishment of Facility	**(599)**	–
– Other interest	**(1,086)**	(198)
Total finance costs	**(6,367)**	(4,100)
Net finance costs	**(6,140)**	(3,918)

During the year no interest has been capitalised in investment or development properties (2021: £nil).

In March 2022 the Group entered into a new revolving credit facility replacing the existing facility under different lending terms. This transaction met the definition of a loan extinguishment and led to an acceleration of amortisation on the up-front fees of the old facility.

7. Auditors' remuneration

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Fees payable to the Company's auditors and its associates for the audit of the Company and the consolidated financial statements	**330**	315
Fees payable to the Company auditors and its associates for other services:		
– The audit of the Company's subsidiaries pursuant to legislation	**42**	30
	372	345

Notes to the financial statements

for the year ended 31 December 2022

8. Tax

Analysis of tax (charge)/credit in the year	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Current tax		
Current year	**(21,650)**	(6,747)
Adjustment in respect of prior periods	**(118)**	372
Total current tax charge	**(21,768)**	(6,375)
Deferred tax		
Current year	**13,504**	(15,974)
Adjustment in respect of prior periods	**409**	(162)
Difference between current tax rate and rate of deferred tax	**4,834**	(10,733)
Total deferred tax credit/(charge)	**18,747**	(26,869)
Tax charge	**(3,021)**	(33,244)
Other comprehensive income items		
Deferred tax – current year	**(101)**	(137)
Total	**(101)**	(137)

The tax charge for the year is lower (2021: higher) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Profit before tax	**30,859**	127,234
Profit before tax multiplied by rate of corporation tax in the UK of 19% (2021: 19%)	**(5,863)**	(24,174)
Effects of:		
Adjustments in respect of prior periods - deferred taxation	**409**	(162)
Adjustments in respect of prior periods - current taxation	**(118)**	372
Expenses not deducted for tax purposes	**(127)**	(291)
Revaluation (losses)/gains	**(755)**	68
Share of (loss)/profit of joint ventures	**(1,423)**	1,753
Difference between current tax rate and rate of deferred tax	**4,834**	(10,733)
Share options	**22**	(77)
Total tax charge	**(3,021)**	(33,244)

The difference between current tax rate and rate of deferred tax of £4.8m (2021: £10.7m) relates to the unwind of balances previously recognised at 25% and the reduction of the deferred tax liabilities recognised at 25% as a result of in year movements. The 2021 reconciling item of £10.7m is reflective of the enacted rate change from 19% to 25%.

At 31 December 2022, the Group had a current tax liability of £7.0m (2021: £2.9m).

The Company has recognised a current tax asset in 2022 of £0.5m (2021: £nil).

Deferred tax

The following is the analysis of deferred tax liabilities presented in the consolidated balance sheet:

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Deferred tax liabilities	**(25,980)**	(46,988)
Deferred tax assets	**1,839**	4,341
	(24,141)	(42,647)

8. Tax continued

The movements on the deferred income tax account were as follows:

	Investment Properties £'000	Tax Losses £'000	Other Temporary Differences £'000	Total £'000
At 1 January 2021	(23,159)	5,774	1,618	(15,767)
Recognised in the consolidated income statement	(23,829)	(3,216)	176	(26,869)
Recognised in the consolidated statement of comprehensive income	–	–	(137)	(137)
Recognised in the consolidated statement of equity	–	–	126	126
At 31 December 2021 and 1 January 2022	(46,988)	2,558	1,783	(42,647)
Recognised in the consolidated income statement	21,008	(2,558)	297	18,747
Recognised in the consolidated statement of comprehensive income	–	–	(101)	(101)
Recognised in the consolidated statement of equity	–	–	(140)	(140)
At 31 December 2022	**(25,980)**	**–**	**1,839**	**(24,141)**

There is deferred tax on UK corporation tax losses carried forward of £nil (2021: £2.6m).

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 mixture of 25% or a blended rate (2021: mixture of 19%, 25% and a blended rate) as appropriate.

Deferred tax assets and liabilities are offset when there is a legally enforced right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Deferred tax assets of £8.1m at 31 December 2022 (2021: £5.3m) have not been recognised owing to the uncertainty as to their recoverability.

The Company has recognised a deferred tax asset in 2022 of £0.1m (2021: £0.2m).

9. Result of the parent entity

As permitted by section 408 of the Companies Act 2006, the Company's income statement and statement of comprehensive income have not been included separately in these financial statements. The loss for the financial year was £6.4m (2021: £8.4m) and the total comprehensive expense for the financial year was £6.2m (2021: £8.2m). The distributable reserves of the Company are £101.6m (2021: £111.1m).

10. Dividends

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Interim dividend of 0.404p per share for the six months ended 30 June 2022	**1,305**	–
Final dividend of 0.845p per share for the year ended 31 December 2021	**2,727**	–
Interim dividend of 0.367p per share for the six months ended 30 June 2021	**–**	1,184
Final dividend of 1.466p per share for the year ended 31 December 2020	**–**	4,729
	4,032	5,913

In addition to the interim dividend of 0.404p, the Board has determined that it is appropriate for a final dividend of 0.929p (2021: 0.845p) to be paid per share, bringing the total dividend for the year to 1.333p (2021: 1.212p). The recommended 2022 final dividend and 2022 total dividend represent a 10% increase in line with the Group's policy.

The 2020 final dividend was increased to reflect the cancelled final 2019 dividend excluding which, the 2020 dividend totalled 1.102p per share.

There is no change to the current dividend policy to continue to grow dividends by 10% each year.

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11. Earnings per share

Earnings per share has been calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of shares in issue and ranking for dividend during the year.

	Year ended 31 December 2022	Year ended 31 December 2021
Profit from continuing operations attributable to owners of the Company (£'000)	**27,838**	93,990
Weighted average number of shares used for basic earnings per share calculation	**322,571,783**	322,493,443
Basic earnings per share (pence)	**8.6**	29.1
Weighted average number of shares used for diluted per share calculation	**326,317,353**	325,059,137
Diluted earnings per share (pence)	**8.5**	28.9

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

12. Property, plant and equipment

Group **Cost or fair value**	**Land and Buildings £'000**	**Office Equipment £'000**	**Total £'000**
As at 1 January 2021	835	493	1,328
Additions	–	32	32
Decrease in fair value	(200)	–	(200)
As at 31 December 2021 and 1 January 2022	635	525	1,160
Additions	–	110	110
Decrease in fair value	(133)	–	(133)
As at 31 December 2022	**502**	**635**	**1,137**
Depreciation			
As at 1 January 2021	–	(321)	(321)
Depreciation charge	–	(158)	(158)
As at 31 December 2021 and 1 January 2022	–	(479)	(479)
Depreciation charge	–	(58)	(58)
As at 31 December 2022	**–**	**(537)**	**(537)**
Net book value			
Net book value at 31 December 2022	**502**	**98**	**600**
Net book value at 31 December 2021	635	46	681

At 31 December 2022, the Group had not entered into any contractual commitments for the acquisitions of property, plant and equipment (2021: £nil).

13. Right of use assets

Group Right of use assets	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Buildings	**229**	74
Vehicles	**25**	20
	254	94
Lease liabilities		
Current	**82**	42
Non-current	**172**	52
	254	94

Additions to right of use assets during 2022 were £0.2m (2021: £nil).

Group Depreciation charge of right of use assets	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Buildings	**77**	44
Vehicles	**17**	32
	94	76

The total cash outflow for leases in 2022 was £0.1m (2021: £0.1m).

The Group leases a number of offices and vehicles. Rental contracts are typically made for fixed periods of three to five years but may have extension options.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Lease assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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14. Investment properties

Investment properties at 31 December 2022 and 31 December 2021 have been measured at fair value. The Group holds five categories of investment property, being Agricultural Land, Natural Resources, the Investment Portfolio, Major Developments and Strategic Land in the UK, which sit within the operating segments of Income Generation and Capital Growth.

	Income Generation			Capital Growth		
	Agricultural Land £'000	Natural Resources £'000	Investment Portfolio £'000	Major Developments £'000	Strategic Land £'000	Total £'000
At 1 January 2021	**6,135**	**33,098**	**214,906**	**27,550**	**91,390**	**373,079**
Direct acquisitions	–	–	13,502	–	14,274	27,776
Subsequent expenditure	12	239	1,988	8,956	6,877	18,072
Disposals	–	–	(2,497)	(11,207)	(986)	(14,690)
(Decrease)/increase in fair value	(151)	(1,912)	30,804	21,609	33,611	83,961
Transfers between divisions	115	–	6,101	(6,626)	410	–
Net transfers from development properties	–	–	–	5,711	(5,000)	711
Net transfer to AHFS	(699)	(874)	(5,078)	(509)	(3,394)	(10,554)
At 31 December 2021	**5,412**	**30,551**	**259,726**	**45,483**	**137,183**	**478,355**
Direct acquisitions	–	–	–	–	11,863	11,863
Subsequent expenditure	–	12	2,822	40,928	9,344	53,106
Disposals	–	(860)	–	–	–	(860)
(Decrease)/Increase in fair value	282	(163)	(37,802)	(5,357)	23,315	(19,725)
Transfers between divisions	–	–	42,250	(42,250)	–	–
Transfers from/(to) development properties	–	–	–	5,440	(60,513)	(55,073)
Transfer to AHFS	–	(9,814)	(56,589)	–	(900)	(67,303)
At 31 December 2022	**5,694**	**19,726**	**210,407**	**44,244**	**120,292**	**400,363**

Subsequent expenditure is recorded net of government grant receipts of £0.9m (2021: £nil).

Included within investment properties (agricultural land) is a provision of £0.2m (2021: £0.3m) relating to the restoration liability on sites formerly rented to mining tenants. This provision is treated as a reduction of the individual property valuations.

During the year £5.4m (2021: £5.7m) of development property was re-categorised as investment property to reflect a change in use. During the year £60.5m of investment property was re-categorised to development properties (2021: £5.0m). Properties that have obtained planning permission and where development with a view to sale has commenced are now held as development properties in inventories. Until sites receive planning permission and the future use has been determined, our view is that the land is held for a currently undetermined future use and should thus be held as investment property. Where there is a subsequent change in use, typically in properties and land that have received planning permission and where development with a view to sale has commenced, these are re-categorised as development properties in inventories.

Investment property is transferred between divisions to reflect a change in the activity arising from the asset.

14. Investment properties continued

The fair value disclosures for investment properties are presented on a combined basis along with those properties in AHFS as summarised in the following table:

	Income Generation			Capital Growth		
	Agricultural Land £'000	Natural Resources £'000	Investment Portfolio £'000	Major Developments £'000	Strategic Land £'000	Total £'000
Investment properties	5,694	19,726	210,407	44,244	120,292	**400,363**
Properties included within AHFS (Note 18)	–	574	56,589	–	2,627	**59,790**
Total properties (excluding development properties)	**5,694**	**20,300**	**266,996**	**44,244**	**122,919**	**460,153**

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Market value as estimated by the external valuer	**470,150**	486,433
Capital incentives and rent-free periods included within other receivables	**(5,853)**	(4,820)
Contingent interest in adjoining land included within external valuations	**(3,848)**	(2,687)
Other adjustments	**(296)**	(571)
Fair value for financial purposes	**460,153**	478,355

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 IFRS. The valuations are based on what is determined to be the highest and best use. When considering the highest and best use a valuer will consider, on a property by property basis, its actual and potential uses which are physically, legally and financially viable. Where the highest and best use differs from the existing use, the valuer will consider the cost and the likelihood of achieving and implementing this change in arriving at its valuation. Most of the Group's properties have been valued on the basis of their development potential which differs from their existing use.

At each financial year end, management:

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

The different valuation levels are defined as:

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

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

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

The Directors determine the applicable hierarchy that each investment property falls into by assessing the level of significant 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 2022 (2021: none).

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14. Investment properties continued

Valuation techniques underlying management's estimation of fair value are as follows:

Agricultural land

Most of the agricultural land is valued using the market comparison basis, with an adjustment made for the length of the remaining term on any tenancy and the estimated cost to bring the land to its highest and best use. Where the asset is subject to a secure letting, it is valued on a yield basis, based upon sales of similar types of investment.

Natural resources

Natural resource sites in the portfolio are valued based on a discounted cash flow for the operating life of the asset with regard to the residual land value.

Investment Portfolio

The industrial & logistics investment properties are valued on the basis of market comparison with direct reference to observable market evidence including current rent and estimated rental value (ERV), yields and capital values and adjusted where required for the estimated cost to bring the property to its highest and best use. The evidence is adjusted to reflect the quality of the property assets, the quality of the covenant profile of the tenants and the reliability/volatility of cash flows. The Group's portfolio has a spread of yields. New income acquisitions are generally acquired at high yields where value can be added. Subject to market backdrop, properties that are newly built by Harworth typically have lower yields. As assets are enhanced and improved, these would also be expected to be valued at lower yields.

ERV and reversionary rental yields are considered to be significant unobservable inputs. Details of the aggregate ERV and weighted average reversionary rental yields used for the Investment Portfolio properties are provided in the following table:

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Market value (£'000)	**272,850**	264,547
Aggregate ERV (£'000)	**20,388**	16,794
Equivalent rental yield %	**7.8**	6.8

All other factors being equal, a higher equivalent yield would lead to a decrease in the valuation of an asset and an increase in the current or estimated future rental stream, or market demand for the asset, would have the effect of increasing the capital value, and vice versa. However, there are inter-relationships between the significant unobservable inputs which are partially determined by market conditions, which would impact on these changes.

The table below sets out a sensitivity analysis for the key sources of estimation uncertainty with the resulting increase/(decrease) in the fair value of Investment Portfolio assets at 31 December 2022:

	2022		2021	
	Increase in Sensitivity Value £'000	**Decrease in Sensitivity Value £'000**	Increase in Sensitivity Value £'000	Decrease in Sensitivity Value £'000
Change in net income by 5%	**13,568**	**(13,568)**	13,260	(13,260)
Change in portfolio net initial yield by 50 basis points	**(24,934)**	**25,980**	(23,206)	25,880

The property rental income earned by the Group from its occupied investment property, all of which is leased out under operating leases amounted to £19.9m (2021: £19.5m). Direct operating expenses arising on investment property generating rental income in the year amounted to £6.4m (2021: £6.6m).

The bank and other loans are secured by way of fixed equitable charges over investment and development properties.

14. Investment properties continued

Major developments

Major development sites are generally valued using residual development appraisals, a form of discounted cash flow which estimates the current site value from future cash flows measured by current land and/or completed built development values, observable or estimated development costs, and observable or estimated development returns.

Where possible development sites are valued by direct comparison to observable market evidence with appropriate adjustment for the quality and location of the property asset, although this is generally only a reliable method of measurement for smaller development sites.

The discounted cash flows utilise gross development value, which takes account of the future expectations of sales over time, less costs, as at today's value, to complete remediation and provide the necessary site infrastructure to bring the site forward. Sales prices, build costs and profit margins are considered to be significant unobservable inputs for sites valued using residual development appraisals and details of these are provided below:

	As at 31 December 2022				As at 31 December 2021			
	Market value (£'000)	**Sales price per sq. ft**	**Build cost per sq. ft**	**Profit Margin %**	Market value (£'000)	Sales price per sq. ft	Build cost per sq. ft	Profit Margin %
Major developments	**43,941**	**£125–£138**	**£67–£93**	**15%**	44,590	£122–£127	£58–£72	15%

All other factors being equal, a higher land value reflecting future expectations on sales would lead to an increase in the valuation of an asset, an increase in costs would lead to a decrease in the valuation of an asset. However, there are inter-relationships between the significant unobservable inputs which are partially determined by market conditions, which would impact on these changes.

The table below sets out a sensitivity analysis for the key sources of estimation uncertainty with the resulting increase/(decrease) in the fair value of Major Development investment properties at 31 December 2022:

	2022		2021	
	Increase in Sensitivity Value £'000	**Decrease in Sensitivity Value £'000**	Increase in Sensitivity Value £'000	Decrease in Sensitivity Value £'000
Change in sales price of 5%	**7,999**	**(6,439)**	5,967	(5,967)
Change in build cost of 5%	**(4,266)**	**5,826**	(4,550)	4,611

Strategic land

Strategic land is valued on the basis of discounted cash flows, with future cash flows measured by current land values adjusted to reflect the quality of the development opportunity, the potential development costs estimated by reference to observable development costs on comparable sites, and the likelihood of securing planning consent. Valuations are then benchmarked against observable land values reflecting the current existing use of the land, which is generally agricultural and, where available, observable strategic land values. The land value per acre is considered to be a significant unobservable input and details of the ranges used are provided below:

	As at 31 December 2022			As at 31 December 2021		
	Agricultural Land £'000	**Natural Resources £'000**	**Strategic Land £'000**	Agricultural Land £'000	Natural Resources £'000	Strategic Land £'000
Market value	**5,845**	**20,706**	**126,808**	5,560	31,705	140,031
Weighted Average Land value per acre	**3**	**21**	**68**	3	20	81

All things being equal, a higher value per acre would lead to an increase in the valuation of an asset and vice versa. The table below sets out a sensitivity analysis for the key source of estimation uncertainty with the resulting increase/(decrease) in the fair value at 31 December 2022:

	2022		2021	
Change in land value per acre by 5%	**Increase in Sensitivity Value £'000**	**Decrease in Sensitivity Value £'000**	Increase in Sensitivity Value £'000	Decrease in Sensitivity Value £'000
Agricultural Land	**292**	**(292)**	278	(278)
Natural Resources	**1,035**	**(1,035)**	1,585	(1,585)
Strategic Land	**6,340**	**(6,340)**	7,002	(7,002)

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15. Investments

Investment in subsidiaries (Company balance sheet)

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Cost and net book amount:		
At 1 January	**209,300**	208,974
Grant of equity instruments to employees of subsidiaries	**564**	326
At 31 December	**209,864**	209,300

Investments in subsidiaries are stated at cost less provision for impairment. As permitted by section 616 of the Companies Act 2006, where the relief afforded under section 612 of the Companies Act 2006 applies, cost is the aggregate of the nominal value of the relevant number of the Company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiary undertakings.

The Company holds investments in the following subsidiaries as at 31 December 2022:

Company name	**Activity**	**Description of shares held**	**Proportion of nominal value of issued share capital held by the Company %**	**Held directly or indirectly by the Company**
Harworth Estates Property Group Limited	Trading	Ordinary	100	Direct
Cadley Park Management Company Limited	Trading	Ordinary	100	Indirect
Cutacre Country Park Management Company Limited	Trading	Ordinary	100	Indirect
EOS Inc Limited	Trading	Ordinary	100	Indirect
Harworth Estates (Agricultural Land) Limited	Trading	Ordinary	100	Indirect
Harworth Estates (Waverley Prince) Limited	Trading	Ordinary	100	Indirect
Harworth Estates Curtilage Limited	Trading	Ordinary	100	Indirect
Harworth Estates Investments Limited	Trading	Ordinary	100	Indirect
Harworth Estates Limited	Trading	Ordinary	100	Indirect
Harworth Estates Mines Property Limited	Trading	Ordinary	100	Indirect
Harworth Estates Overage Limited	Trading	Ordinary	100	Indirect
Harworth Estates Residential Development Limited	Trading	Ordinary	100	Indirect
Harworth Estates Warwickshire Limited	Trading	Ordinary	100	Indirect
Harworth Surface Water Management (Bardon) Limited	Trading	Ordinary	100	Indirect
Harworth Surface Water Management (North West) Limited	Trading	Ordinary	100	Indirect
Harworth TRR Limited	Trading	Ordinary	100	Indirect
Logistics North MC Limited	Trading	Ordinary	10.86	Indirect
Thoresby Vale Management Company Limited	Trading	Ordinary	100	Indirect
Flass Lane Management Company Limited	Trading	Limited by guarantee	100	Indirect
Mapplewell Management Company Limited	Trading	Limited by guarantee	100	Indirect
POW Management Company Limited	Trading	Limited by guarantee	100	Indirect
Riverdale Park Management Company Limited	Trading	Limited by guarantee	100	Indirect
Rossington Community Management Company Limited	Trading	Limited by guarantee	100	Indirect
Simpson Park Management Company Limited	Trading	Limited by guarantee	100	Indirect
South East Coalville Management Company Limited	Trading	Limited by guarantee	100	Indirect
Waverley Community Management Company Limited	Trading	Limited by guarantee	100	Indirect
Ansty Development Vehicle LLP	Trading	Partnership	100	Indirect
Harworth PV Limited	Dormant	Ordinary	100	Indirect
Harworth Regeneration Limited	Dormant	Ordinary	100	Indirect
Harworth Services Limited	Dormant	Ordinary	100	Indirect
Harworth Estates No 2 Limited	Dormant	Ordinary	100	Indirect
Harworth No 1 Limited	Dormant	Ordinary	100	Indirect
Benthall Grange (Ironbridge) Management Company Limited	Dormant	Limited by guarantee	100	Indirect
Moss Nook (St Helens) Management Company Limited	Dormant	Limited by guarantee	100	Indirect
Coalfield Estates Limited	Liquidation	Ordinary	100	Direct

15. Investments continued

Company name	Activity	Description of shares held	Proportion of nominal value of issued share capital held by the Company %	Held directly or indirectly by the Company
Harworth Estates Group Limited	Liquidation	Ordinary	100	Indirect
Harworth No.3 Limited	Liquidation	Ordinary	100	Indirect
Waverley Square Limited	Liquidation	Ordinary	100	Indirect
Harworth Guarantee Co. Limited	Liquidation	Limited by guarantee	100	Direct

Except for those in liquidation, all of the above companies are incorporated in England and Wales and have a registered address of Advantage House, Poplar Way, Rotherham, South Yorkshire, S60 5TR. Control of Logistics North MC Limited is via ownership of voting rights equal to 75% or more and the right to appoint and remove directors.

The following entities were incorporated during the year:

- Harworth Estates Residential Development Limited on 25 May 2022
- Harworth Surface Water Management (Bardon) Limited on 9 June 2022
- Harworth No 1 Limited on 12 October 2022
- Benthall Grange (Ironbridge) Management Company Limited on 20 October 2022

Konect Management Company Limited was disposed of on 9 September 2022.

The following entities were in the process of liquidation during the year, and were fully dissolved in January 2023:

Coalfield Estates Limited

Harworth Guarantee Co. Limited

Harworth Estates Group Limited

Harworth No.3 Limited

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15. Investments continued

Investment in joint ventures

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
At 1 January	**36,131**	25,316
Investments in joint ventures	**1,849**	1,624
Distributions from joint ventures	**(665)**	(34)
Share of (losses)/profits of joint ventures	**(7,487)**	9,853
Impairment	**–**	(628)
At 31 December	**29,828**	36,131

The Group holds investments in the following joint ventures as at 31 December 2022:

Company name	**Activity**	**Description of shares held**	**Proportion of nominal value of issued share capital held by the Group %**
Multiply Logistics North Holdings Limited	Trading	Ordinary	20
Multiply Logistics North LP	Trading	Partnership	20
Crimea Land Mansfield LLP	Trading	Partnership	50
Northern Gateway Development Vehicle LLP	Trading	Partnership	50
The Aire Valley Land LLP	Trading	Partnership	50

All of the above companies are incorporated in England and Wales and, have a registered address of Advantage House, Poplar Way, Rotherham, South Yorkshire, S60 5TR. Multiply Logistics North Holdings Limited and Multiply Logistics North LP are joint ventures as a consequence of equal voting rights.

Aggregate information of the Group's share of assets, liabilities and results of joint ventures, that are individually material are:

	The Aire Valley Land LLP	
	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Investment property	**26,350**	35,000
Current assets	**306**	248
Total assets	**26,656**	35,248
Current liabilities	**(180)**	(164)
Equity	**26,476**	35,084
Group's share in equity (50%)	**13,238**	17,542
Group's carrying amount of the investment	**13,238**	17,542

Included within current assets are cash and cash equivalents of £0.2m (2021: £0.2m)

15. Investments continued

	Multiply Logistics North LP	
	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Investment property	**62,840**	83,955
Current assets	**5,495**	3,600
Total assets	**68,335**	87,555
Current liabilities	**(1,505)**	(1,545)
Equity	**66,830**	86,010
Group's share in equity (20%)	**13,366**	17,202
Group's carrying amount of the investment	**13,366**	17,202

Included within current assets are cash and cash equivalents of £2.0m (2021: £2.3m). Included within current liabilities are accruals and deferred income of £0.9m (2021: £1.0m) and other taxes payable of £0.5m (2021: £0.2m)

	The Aire Valley Land LLP	
	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Revenue	**60**	–
Cost of sales	**(7)**	(58)
Gross profit/(loss)	**53**	(58)
Administrative expenses	**(11)**	(32)
Other (losses)/gains	**(8,650)**	9,184
Finance costs	**–**	(2)
(Loss)/profit for the year	**(8,608)**	9,092
Group's share of (loss)/profit for the year (50%)	**(4,304)**	4,546

	Multiply Logistics North LP	
	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Revenue	**3,880**	2,405
Cost of sales	**(125)**	(170)
Gross profit	**3,755**	2,235
Administrative expenses	**(160)**	(760)
Other (losses)/gains	**(19,450)**	25,155
(Loss)/profit for the year	**(15,855)**	26,630
Group's share of (loss)/profit for the year (20%)	**(3,171)**	5,326

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15. Investments continued

Aggregate information of the Group's share of assets, liabilities and results of joint ventures, that are not individually material are:

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Investment property	**–**	750
Current assets	**7,088**	2,142
Total assets	**7,088**	2,892
Current liabilities	**(640)**	(118)
Equity	**6,448**	2,774
Group share in equity (50%)	**3,224**	1,387
Group's carrying amount of the investment	**3,224**	1,387
Loss for the year	**(23)**	(38)
Group's share of losses for the year (50%)	**(12)**	(19)

The risks associated with these investments are as follows:

- Decline in the availability, and/or an increase in the cost, of credit for residential and commercial buyers; and
- Decline in market conditions and values.

16. Inventories

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Development properties	**204,952**	172,701
Planning promotion agreements	**2,994**	3,865
Options	**8,447**	1,154
Finished goods	**–**	102
	216,393	177,822

The total cost of inventory recognised as an expense within cost of sales in the year is £68.4m (2021: £50.3m) and comprised of: £67.7m (2021: £54.9m) relating to the sale of development properties; a charge of £0.4m (2021: £5.2m credit) net realisable value provision against development properties; a charge of £0.1m (2021: £0.1m) in relation to planning promotion agreements; and a charge of £0.2m (2021: £0.5m) relating to finished goods stocks. Finished goods are stated after a provision of £nil (2021: £0.5m).

The movement in development properties is as follows:

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
At 1 January	**172,701**	177,712
Acquisitions	**–**	40
Subsequent expenditure	**35,430**	29,482
Disposals	**(57,857)**	(39,008)
Net realisable value (charge)/release	**(395)**	5,186
Transfers from/(to) investment properties	**55,073**	(711)
At 31 December	**204,952**	172,701

Subsequent expenditure is recorded net of government grant receipts of £2.7m (2021: £1.9m).

16. Inventories continued

The movement in net realisable value provision is as follows:

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
At 1 January	**12,154**	17,340
Charge for the year	**7,074**	1,574
Released on disposals	**(5,030)**	(2,367)
Reversal of previous net realisable provision	**(1,649)**	(4,393)
Released on transfer to investment property	**(2,773)**	–
At 31 December	**9,776**	12,154

The reversal of previous net realisable value provision occurs where development properties have an increase in net realisable value which offsets a previous net realisable value charge.

17. Trade and other receivables

	Group		Company	
Current	**As at 31 December 2022 £'000**	As at 31 December 2021 £'000	**As at 31 December 2022 £'000**	As at 31 December 2021 £'000
Trade receivables	**31,566**	24,078	**–**	–
Less: provision for impairment of trade receivables	**(28)**	(27)	**–**	–
Net trade receivables	**31,538**	24,051	**–**	–
Other receivables	**22,379**	23,672	**144**	9
Prepayments	**1,062**	1,012	**43**	7
Accrued income	**1,679**	1,020	**–**	–
Amounts owed by subsidiary undertakings (Note 30)	**–**	–	**110**	27,735
	56,658	49,755	**297**	27,751
Non-current				
Trade receivables	**3,119**	4,285	**–**	–
Other receivables	**894**	1,084	**–**	–
Amounts owed by subsidiary undertakings (Note 30)	**–**	–	**28,647**	–
	4,013	5,369	**28,647**	–

The carrying amount of trade and other receivables approximates to their fair value due to the short time frame over which the assets are realised. All of the Group and Company receivables are denominated in sterling.

Included within trade receivables is £31.4m (2021: £22.9m) of deferred consideration on the sale of investment and development property.

The non-current trade receivable of £3.1m (2021: £4.3m) relates to deferred consideration on the sale of development properties due in more than one year. Other receivables include debtors from agent managed properties of £7.3m (2021: £7.1m), customer retentions of £4.1m (2021: £6.1m) and rent-free and capital incentives of £5.9m (2021: £4.8m).

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables as disclosed in Note 22.

The Group and Company do not hold any collateral as security.

The amounts owed to the Company by subsidiary undertakings are repayable on demand. Interest is payable at SONIA + 2% (2021: SONIA + 2%).

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17. Trade and other receivables continued

Group

Movements on the Group provisions for impairment of trade receivables are as follows:

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
At the beginning of the year	**(27)**	(308)
(Provided for)/released in the year	**(1)**	281
At the end of the year	**(28)**	(27)

Trade receivables can be analysed as follows:

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Amounts receivable not past due	**31,489**	21,914
Amounts receivable past due but not impaired	**49**	2,137
Amounts receivable impaired (gross)	**28**	27
Less impairment	**(28)**	(27)
	31,538	24,051

Ageing of past due but not impaired trade receivables:

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
31–60 days	**3**	–
61–90 days	**–**	2,054
91–120 days	**46**	83
	49	2,137

Ageing of impaired trade receivables:

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
91–120 days	**28**	16
120+ days	**–**	11
	28	27

18. Assets Held For Sale

AHFS relate to investment properties identified as being for sale within 12 months, where a sale is considered highly probable and the property is immediately available for sale.

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
At 1 January	**1,925**	7,594
Transferred to/from investment properties	**67,303**	10,554
Subsequent expenditure	**1**	1
(Decrease)/increase in fair value	**(199)**	1,078
Disposals	**(9,240)**	(17,302)
At 31 December	**59,790**	1,925

19. Cash

	Group		Company	
	As at 31 December 2022 £'000	As at 31 December 2021 £'000	**As at 31 December 2022 £'000**	As at 31 December 2021 £'000
Cash	**11,583**	12,037	**1,433**	2,909

20. Borrowings

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Current:		
Secured – other loans	**(3,067)**	–
	(3,067)	–
Non-current:		
Secured – bank loans	**(34,558)**	(33,318)
Secured – infrastructure and direct development loans	**(22,353)**	(4,463)
	(56,911)	(37,781)
Total borrowings	**(59,978)**	(37,781)

Loans are stated after deduction of unamortised borrowing costs of £2.0m (2021: £1.2m).

		As at 31 December 2022 £'000	As at 31 December 2021 £'000
Infrastructure Loans			
Scrudf Limited Partnership	Rockingham	**(1,413)**	–
Merseyside Pension Fund	Bardon Hill	**(20,940)**	(1,572)
North West Evergreen Limited Partnership	Plot H Logistics North, Bolton	**(3,067)**	(2,891)
Total infrastructure loans		**(25,420)**	(4,463)
Bank loan		**(34,558)**	(33,318)
Total borrowings		**(59,978)**	(37,781)

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

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

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

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21. Trade and other payables

	Group		Company	
Current	**As at 31 December 2022 £'000**	As at 31 December 2021 £'000	**As at 31 December 2022 £'000**	As at 31 December 2021 £'000
Trade payables	**2,361**	2,104	**28**	54
Amounts owed to subsidiary undertakings (Note 30)	**–**	–	**34,481**	24,205
Taxation and social security	**513**	14,394	**98**	190
Other creditors	**6,611**	4,102	**187**	26
Accruals	**65,338**	63,166	**1,553**	1,812
Deferred income	**7,676**	10,550	**–**	–
	82,499	94,316	**36,347**	26,287

The amounts owed by the Company to subsidiary undertakings are repayable on demand. Interest is payable at SONIA + 2% (2021: SONIA + 2%).

	Group		Company	
	As at 31 December 2022 £'000	As at 31 December 2021 £'000	**As at 31 December 2022 £'000**	As at 31 December 2021 £'000
Amounts in accruals relating to parcels of land that have been sold but where infrastructure costs are yet to be incurred	**48,595**	48,781	**–**	–

Deferred income includes £4.3m (2021: £4.1m) in relation to rental income.

Non-current liabilities

	Group		Company	
	As at 31 December 2022 £'000	As at 31 December 2021 £'000	**As at 31 December 2022 £'000**	As at 31 December 2021 £'000
Other creditors	**1,925**	4,540	**–**	–
Deferred income	**894**	1,146	**–**	–
	2,819	5,686	**–**	–

22. Financial Instruments and derivatives

Throughout 2021 and until March 2022, the Group was party to a £45m fixed rate interest swap at an all-in cost of 1.235% (including fees) on top of the existing 2.35% margin under the previous RCF. The all-in cost changed to 1.184% from 31 December 2021 as part of the transition from LIBOR to SONIA. The interest rate swap was ended when the Group entered into the new RCF.

The fair value of the interest rate swap at 31 December 2022 was £nil (2021: a liability of £0.2m).

During the year the following gain was recognised in the other comprehensive income statement in relation to the interest rate swap:

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Gain on interest rate swap - cash flow hedge	**156**	670

The Group's principal financial instruments include trade and other receivables, cash, interest bearing borrowings and trade and other payables.

22. Financial Instruments and derivatives continued

Other financial assets and liabilities

Group	As at 31 December 2022 Book value £'000	As at 31 December 2022 Fair value £'000	As at 31 December 2021 Book value £'000	As at 31 December 2021 Fair value £'000
Financial assets held at amortised cost				
Cash	**11,583**	**11,583**	12,037	12,037
Trade and other receivables	**57,930**	**57,930**	53,092	53,092
Financial liabilities held at amortised cost				
Bank and other borrowings	**59,978**	**59,978**	37,781	37,781
Trade and other payables	**76,235**	**76,235**	85,608	85,608

Company	As at 31 December 2022 Book value £'000	As at 31 December 2022 Fair value £'000	As at 31 December 2021 Book value £'000	As at 31 December 2021 Fair value £'000
Financial assets held at amortised cost				
Cash	**1,433**	**1,433**	2,909	2,909
Trade and other receivables	**28,901**	**28,901**	27,744	27,744
Financial liabilities held at amortised cost				
Trade and other payables	**36,249**	**36,249**	26,097	26,097

The Group classifies the assets and liabilities in the analysis above as 'loans and receivables' and 'other financial liabilities', respectively.

The fair value of bank and other borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are within Level 2 of the fair value hierarchy.

Changes in liabilities arising from financing activities

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Borrowings at start of year	**37,781**	83,882
Repayments	**(152,000)**	(95,425)
Drawdowns	**173,850**	49,900
Interest expense	**3,392**	2,992
Interest paid	**(2,206)**	(2,795)
Borrowing costs	**(2,022)**	(1,134)
Amortisation of capitalised borrowing costs	**1,283**	361
Borrowings at end of year	**59,978**	37,781

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Leases at start of year	**94**	179
Additions	**251**	–
Payments in respect of leases	**(91)**	(85)
Leases at end of year	**254**	94

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23. Financial risk management

The Group's overall risk management programme focuses on credit and liquidity risks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out centrally under policies approved by the Board of Directors. The Board discusses and agrees courses of action to cover material risk management areas, including credit risk and investment of excess liquidity.

Credit risk

The Group is subject to credit risk arising from outstanding receivables and committed cash and cash equivalents and deposits with banks and financial institutions. The Group's policy is to manage credit exposure to trading counterparties within defined trading limits.

The Group is exposed to counterparty credit risk on cash and cash equivalent balances. The Group and Company hold all of their cash deposits with their principal bankers.

Interest rate risk

The Group's interest rate risk arises from external borrowings, the details of which are set out in Note 22.

The Group also has three (2021: two) infrastructure loans with an all in funding rate of between 2.2% and 5.9% (2021: between 3.0% and 5.9%), of these one loan (2021: one) has a fixed rate of interest. Based on the drawdown amounts at 31 December 2022, if the variable interest rate changed by 50bps, the annual interest cost would increase or decrease by £0.2m.

Liquidity risk

The Group is subject to the risk that it will not have sufficient liquid resources to fund its on-going business. The Group manages its liquidity requirements with the use of operating cash flows, cash balances and drawdowns under its RCF.

The Group had net debt at 31 December 2022 of £48.4m (2021: £25.7m). The Group used cash from operating activities and investing activities for the year of £16.2m (2021: cash generated of £51.9m).

The table below analyses the Group's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the Balance sheet date to the contractual maturity date. The amounts disclosed in the table are the gross contractual undiscounted cash flows.

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
At 31 December 2022				
Trade and other payables	**74,310**	**1,925**	**–**	**–**
Lease liability	**82**	**63**	**109**	**–**
Bank and other borrowings including interest payable	**3,067**	**22,353**	**34,558**	**–**
At 31 December 2021				
Trade and other payables	83,766	3,456	1,084	–
Lease liability	42	28	24	–
Bank and other borrowings including interest payable	–	–	37,781	–

Capital risk management

The Group is subject to the risk that its capital structure will not be sufficient to support the growth of the business. The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern and have the resources to provide returns for Shareholders and benefits for other Stakeholders;
- to maximise returns to Shareholders by allocating capital across the business based upon the expected level of return and risk; and
- to maintain an optimal capital structure to reduce the cost of capital.

The Group manages and monitors its cash balances to ensure it has sufficient capital to manage and maintain its business activities. Cash balances are disclosed in Note 19.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares or sell assets to reduce debt.

23. Financial risk management continued

The Group monitors capital on the basis of net debt to equity. Net debt is total debt less cash and at 31 December 2022 this was £48.4m (2021: £25.7m).

The Group has in place a £200.0m revolving credit facility ("RCF"), with a £40m accordion (2021 £150.0m) as discussed in Note 20.

The facility is provided by Natwest, Santander and HSBC. The RCF is repayable in February 2027 (five year term) on a non-amortising basis.

The facility is subject to financial covenants including minimum interest cover, maximum infrastructure debts as a percentage of property value and gearing. The bank borrowings are secured by fixed equitable charges over development and investment properties.

24. Retirement benefit obligations

Defined contribution pension schemes

The Group pays defined contribution payments to pension insurance plans. Contributions to defined contribution schemes in the year amounted to £0.8m (2021: £0.5m). The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an expense when they are due.

Defined benefit obligations

The Group and Company have defined benefit obligations in respect of the Blenkinsopp Section of the Industry-Wide Mineworkers' Pension Scheme (the Blenkinsopp scheme). This scheme is closed to new members.

The Balance sheet liability in respect of retirement benefit obligations is:

	Group		**Company**	
	As at 31 December 2022 £'000	As at 31 December 2021 £'000	**As at 31 December 2022 £'000**	As at 31 December 2021 £'000
Relating to continuing activities				
Blenkinsopp	**114**	558	**114**	558

Contributions to the Blenkinsopp scheme of £0.2m were made by the Group during 2022 (2021: £0.2m). It is expected that contributions of a similar amount will be paid in 2023. At December 2022, no contributions remained unpaid (2021: £nil).

The pension scheme is valued annually by a qualified independent actuary for the purposes of IAS 19 (revised) and the preparation of financial statements. The assumptions which usually have the most significant effect on the results of the valuation are the discount rate, which is based on corporate bond yields, and the rates of increase in pensions. There are no active members of this scheme. The main assumptions underlying the valuation of the Blenkinsopp scheme were:

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Discount rate	**4.90% p.a.**	1.90% p.a.
Rate of pension increases	**2.60% p.a.**	2.70% p.a.
Rate of price inflation (RPI)	**3.15% p.a.**	3.35% p.a.
Rate of price inflation (CPI)	**2.60% p.a.**	2.75% p.a.
Rate of cash commutation	**25.00% of pension at a rate of £9:£1**	25.00% of pension at a rate of £9:£1

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24. Retirement benefit obligations continued

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Life expectancy at age 65 for current pensioners (years)		
Male	**19.2**	19.3
Female	**22.5**	22.6
Life expectancy at age 65 for future pensioners currently aged 45 (years)		
Male	**20.5**	20.7
Female	**24.2**	24.2

The assumed pension increases depend on the period of service accrual (before April 1997: no increases, after 1997: in line with statutory minimum increases based on consumer price inflation).

Defined benefit obligations

The amounts recognised in the Balance sheet are:

	2022 £'000	2021 £'000	2020 £'000	2019 £'000	2018 £'000
Fair value of plan assets	**1,989**	2,747	2,537	2,313	2,249
Present value of funding obligations	**(2,103)**	(3,305)	(3,505)	(3,084)	(2,711)
Net liability recognised in the Balance sheet	**(114)**	(558)	(968)	(771)	(462)

The Blenkinsopp scheme does not own any shares in the Company.

The amounts recognised in the Consolidated Income Statement are:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Expenses	**(50)**	(48)
Interest cost	**(9)**	(12)
	(59)	(60)

A further credit of £0.3m (2021: £0.3m) has been reflected in the Statement of Comprehensive Income in the year. This represents the net effect of experience, and actuarial gains and losses on the scheme in the year.

Change in assets	**As at 31 December 2022 £'000**	As at 31 December 2021 £'000
Fair value of plan assets at the start of the year	**2,747**	2,537
Interest income	**53**	33
Actual (loss)/return on scheme assets excluding interest income	**(883)**	126
Employer contributions	**208**	208
Expenses	**(86)**	(48)
Benefits paid	**(50)**	(109)
Fair value of plan assets at the end of the year	**1,989**	2,747

Plan assets, which are all quoted investments, are comprised as follows:

Analysis of plan assets (which are all quoted investments)	**As at 31 December 2022 £'000**	As at 31 December 2021 £'000
Gilts	**1,284**	1,781
Delegated solutions	**663**	926
Sterling liquidity fund	**–**	15
Other	**42**	25
Total	**1,989**	2,747

24. Retirement benefit obligations continued

Change in defined benefit obligations	**As at 31 December 2022 £'000**	As at 31 December 2021 £'000
Present value of defined benefit obligations at the start of the year	**(3,305)**	(3,505)
Interest cost	**(62)**	(45)
Remeasurements:		
– Gain arising from changes in demographic assumptions	**16**	10
– Loss arising from changes in experience	**(1)**	(12)
– Gain arising from changes in financial assumptions	**1,163**	138
Benefits paid	**86**	109
Present value of defined benefit obligation at the end of the year	**(2,103)**	(3,305)

Analysis of the movement of the Balance Sheet liability	**As at 31 December 2022 £'000**	As at 31 December 2021 £'000
At the start of the year	**(558)**	(968)
Total amounts recognised in the income statement	**(59)**	(60)
Employer contributions	**208**	208
Net actuarial gain recognised in the year	**295**	262
At the end of the year	**(114)**	(558)

The duration of the defined benefit obligation is c.16 years (2021: c.17 years).

Cumulative actuarial gains and losses recognised in equity	**As at 31 December 2022 £'000**	As at 31 December 2021 £'000
At the start of the year	**(687)**	(949)
Net actuarial gain in the year	**295**	262
At the end of the year	**(392)**	(687)

Experience gains and losses	**Year ended 31 December 2022 £'000**	Year ended 31 December 2021 £'000
Actual (loss)/return on scheme assets excluding interest income	**(883)**	126
Remeasurements:		
– Loss arising from changes in experience	**(1)**	(12)
– Gains arising from changes in financial assumptions	**1,163**	138
– Gains arising from changes in demographic assumptions	**16**	10
Net actuarial gain	**295**	262

Contributions are determined by a qualified actuary on the basis of a triennial valuation, using the projected credit unit method. The most recent valuation for the purpose of determining contributions was at 31 December 2018, which was agreed in March 2020 This showed an estimated past service deficit of £1.2m.

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24. Retirement benefit obligations continued

The sensitivity of the defined benefit obligations to changes in the weighted principal assumptions is:

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Change in discount rate by 0.5% (2021: 0.1%)	**(115)**	56
Change in price inflation (and associated assumptions) by 0.5% (2021: 0.1%)	**115**	49
Increase in life expectancy by 1 year	**75**	150

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice some of the assumptions may be correlated. Due to a greater level of market volatility, the sensitivity of the change in discount rate and price inflation has been calculated at 50bps for the current year in order to better reflect how markets could move over the short term. No other changes have been made to the method and types of assumptions from those in the previous year.

The Scheme exposes the Group to actuarial risks such as: investment risk, interest rate risk and longevity risk.

- Investment risk: the present value of the defined benefit obligation is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on Scheme assets is below this rate, it will create a deficit. The majority of the Scheme investments are held within index-linked government bonds, cash/liquidity funds and delegated solutions.
- Interest rate risk: a decrease in the corporate bond interest rate will increase the liability but this would likely be partially offset by an increase in the return on the Scheme's debt investments.
- Longevity risk: the present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of Scheme participants both during and after retirement. An increase in the life expectancy of the participants will increase the Scheme's liability.

25. Share-based payments

During the year, there were five classes of equity-settled share incentive plans outstanding:

- Deferred Share Bonus Plan (DSBP). Under this scheme share options with a nil-cost exercise price are granted to eligible employees. Vesting of the share options is subject to the achievement of a performance condition relating to Total Return and continued employment.
- Long Term Incentive Plan (LTIP). Under this scheme share options with a nil-cost exercise price are granted to eligible employees. Vesting of the share options is subject to the achievement of performance conditions relating to Total Return and Relative Total Shareholder Return and continued employment. This scheme was discontinued in 2021.
- Restricted Share Plan (RSP). Under this scheme share options with a nil-cost exercise price are granted to eligible employees. Vesting of the share options is subject to continued employment and the satisfaction of underpin conditions relating to Financial Health, Underlying performance and Corporate Governance as detailed on page 129 of the Directors' Remuneration Report.
- Save As You Earn (SAYE). Under this scheme eligible employees enter into a savings contract for a period of three years. Share options are granted on commencement of the savings contract and are exercisable using the amount saved under the contract at the time it terminates. Share options are granted at a discount of up to 20% of the market value of the shares at the time of invitation. The exercise of the share options is subject to continued employment only.
- Share Incentive Plan (SIP). Under this scheme eligible employees are granted free shares which vest after three years subject to continued employment only.

Share options granted under the DSBP, LTIP and RSP are exercisable no later than the tenth anniversary of the grant date. Share options granted under the SAYE are exercisable for a six month period after the end of the three year savings period.

25. Share-based payments continued

The movements in the number of share options outstanding and their weighted average exercise prices are as follows:

	Number of shares		Weighted average exercise price	
DSBP	**2022**	2021	**2022**	2021
Outstanding at beginning of the year	**1,067**	151,800	**£0.00**	£0.00
Granted during the year	**–**	–	**n/a**	n/a
Forfeited during the year	**(124)**	(136,469)	**£0.00**	£0.00
Exercised during the year	**–**	(14,264)	**n/a**	£0.00
Outstanding at end of the year	**943**	1,067	**£0.00**	£0.00
Exercisable at end of the year	**943**	1,067	**£0.00**	£0.00
Weighted average remaining contractual life	**5.26 years**	6.26 years		

	Number of shares		Weighted average exercise price	
LTIP	**2022**	2021	**2022**	2021
Outstanding at beginning of the year	**–**	456,101	**£0.00**	£0.00
Granted during the year	**–**	–	**n/a**	n/a
Forfeited during the year	**–**	(406,638)	**n/a**	£0.00
Exercised during the year	**–**	(49,463)	**n/a**	£0.00
Outstanding at end of the year	**–**	–	**n/a**	n/a
Exercisable at end of the year	**–**	–	**n/a**	n/a
Weighted average remaining contractual life	**–**	–		

	Number of shares		Weighted average exercise price	
RSP	**2022**	2021	**2022**	2021
Outstanding at beginning of the year	**1,502,883**	921,769	**£0.00**	£0.00
Granted during the year	**1,096,516**	664,339	**n/a**	n/a
Forfeited during the year	**(186,650)**	(83,225)	**£0.00**	£0.00
Exercised during the year	**–**	–	**n/a**	n/a
Outstanding at end of the year	**2,412,749**	1,502,883	**n/a**	n/a
Exercisable at end of the year	**–**	–	**n/a**	n/a
Weighted average remaining contractual life	**8.43 years**	8.66 years		

	Number of shares		Weighted average exercise price	
SAYE	**2022**	2021	**2022**	2021
Outstanding at beginning of the year	**877,530**	865,055	**£0.82**	£0.81
Granted during the year	**161,916**	175,063	**£1.40**	£1.02
Forfeited during the year	**(80,357)**	(109,377)	**£0.82**	£0.79
Exercised during the year	**(64,707)**	(53,211)	**£1.04**	£0.86
Outstanding at end of the year	**894,382**	877,530	**£0.91**	£0.82
Exercisable at end of year	**–**	–	**n/a**	n/a
Weighted average remaining contractual life	**1.48 years**	2.03 years		

	Number of shares		Weighted average exercise price	
SIP	**2022**	2021	**2022**	2021
Outstanding at beginning of the year	**147,845**	101,310	**£0.00**	£0.00
Granted during the year	**286,138**	63,852	**£0.00**	£0.00
Forfeited during the year	**(1,214)**	(14,425)	**£0.00**	£0.00
Exercised during the year	**–**	(2,892)	**n/a**	n/a
Outstanding at end of the year	**432,769**	147,845	**£0.00**	£0.00

The fair values of the share options granted under the RSP and SAYE during the year were determined using Black-Scholes valuation methodology.

Notes to the financial statements

for the year ended 31 December 2022

25. Share-based payments continued

The significant inputs to the valuation models were as follows:

	RSP	SAYE
Share price at date of grant	£1.61	£1.65
Exercise price	£0.00	£1.40
Dividend yield	0.01%	0.01%
Expected volatility	0.34%	0.35%
Risk free interest rate	n/a	0.02%
Expected term	4.73 years	3.33 years
Weighted average fair value	£1.38	£0.50

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

Awards under the 2019 SAYE Scheme were exercised in the year with a weighted average share price on exercise of £1.54.

The total charge for the year relating to employee share-based payment plans was £0.7m (2021: £0.5m), all of which related to equity-settled share-based payment transactions.

26. Share capital

Issued, authorised and fully paid

Group and Company	As at 31 December 2022 £'000	As at 31 December 2021 £'000
At 1 January	**32,272**	32,253
Shares issued	**33**	19
At 31 December	**32,305**	32,272

Issued, authorised and fully paid – number of shares

Group and Company	As at 31 December 2022	As at 31 December 2021
At 1 January	**322,724,566**	322,530,807
Shares issued	**326,558**	193,759
At 31 December	**323,051,124**	322,724,566
Own shares held	**(438,439)**	(185,282)
At 31 December	**322,612,685**	322,539,284

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

The own shares held represent the number of shares held by the Employee Benefit Trust and Equiniti Share Plan Trustees Limited to satisfy Deferred Share Bonus Plan, Restricted Share Plan and Share Incentive plan awards for Executive Directors, Senior Executives and employees. For this purpose both Employee Benefit Trust and Equiniti Share Plan Trustees Limited are treated as an extension of the Company.

27. Share premium account

Group and Company	As at 31 December 2022 £'000	As at 31 December 2021 £'000
At 1 January	**24,627**	24,567
Premium on shares issued	**61**	60
At 31 December	**24,688**	24,627

28. Commitments

At 31 December 2022 the Group had contractual commitments due under construction contracts of £0.6m (2021: £5.6m). Capital commitments for the acquisition of property, plant and equipment are disclosed in Note 12. Future expenditure required to bring our investment and development properties to their highest and best use are not considered to be capital commitments, however such build costs for our investment properties are disclosed as a significant unobservable input in the valuation of Major Development properties as set out in Note 14.

29. Operating leases

Future minimum lease receipts

At 31 December 2022 the Group had contracted with tenants for the following future minimum lease payments:

	Group	
	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Less than one year	**17,733**	17,220
Between one and two years	**17,426**	14,689
Between two and three years	**15,057**	13,100
Between three and four years	**14,059**	11,033
Between four and five years	**12,861**	10,200
More than five years	**124,992**	122,303
	202,128	188,545

As set out in Note 14 property rental income earned during the year was £19.9m (2021: £19.5m)

30. Related party transactions

Group

The Group carried out the following transactions with related parties during 2022. The following entities are related parties as a consequence of shareholdings, joint venture arrangements and partners of such and/or common Directorships. All related party transactions are clearly justified and beneficial to the Group, are undertaken on an arm's-length basis on fully commercial terms and in the normal course of business.

Peel Group	**Year ended/as at 31 December 2022 £000**	Year ended/as at 31 December 2021 £000
Sales		
Disposal proceeds at Logistics North	**–**	2,019
Additions		
Reimbursement of technical due diligence	**–**	91
Receivables		
Deferred consideration for land at Logistics North	**–**	200

Multiply Logistics North Holdings Limited & Multiply Logistics North Lp	**Year ended/as at 31 December 2022 £000**	Year ended/as at 31 December 2021 £000
Sales		
Recharges of costs	**–**	136
Asset management fee	**145**	271
Water charges	**113**	107
Receivables		
Trade receivables	**–**	66

Notes to the financial statements

for the year ended 31 December 2022

30. Related party transactions continued

Genuit Group (formerly Polypipe)	Year ended/as at 31 December 2022 £000	Year ended/ as at 31 December 2021 £000
Sales		
Rent	**20**	25
Receivables		
Trade receivables	**6**	6

The Aire Valley Land LLP	Year ended/as at 31 December 2022 £000	Year ended/as at 31 December 2021 £000
Receivable	**26**	26

Crimea Land Mansfield LLP	Year ended/as at 31 December 2022 £000	Year ended/as at 31 December 2021 £000
Partner loan repayment	**–**	(30)
Receivable	**9**	–

Northern Gateway Development Vehicle LLP	Year ended/as at 31 December 2022 £000	Year ended/as at 31 December 2021 £000
Investment in the year	**1,849**	1,003
Receivable	**–**	25

Investment Property Forum	Year ended/as at 31 December 2022 £000	Year ended/as at 31 December 2021 £000
Purchases	**1**	–

Banks Group*	Year ended/as at 31 December 2022 £000	Year ended/as at 31 December 2021 £000
Sales		
Annual option sums	**–**	5

Bates Regeneration Limited*	Year ended/as at 31 December 2022 £000	Year ended/as at 31 December 2021 £000
Shareholder loan repayment	**–**	(4)

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

30. Related party transactions continued

Company

The Company carried out the following transactions with subsidiary undertakings.

Details of the Company's intercompany balances and interest at 31 December 2022 are set out below:

	Year ended/as at 31 December 2022		Year ended/as at 31 December 2021	
	Net interest receivable/(payable) in the year £'000	**Net amounts due from/(to) £'000**	Net interest receivable/(payable) in the year £'000	Net amounts due from/(to) £'000
EOS Inc. Limited	**657**	**19,891**	411	19,238
Harworth Estates Limited	**(219)**	**(7,967)**	(64)	(4,655)
Harworth Estates (Agricultural Land) Limited	**(62)**	**(1,841)**	(33)	(1,824)
Harworth Estates Investments Limited	**(366)**	**(13,802)**	(166)	(10,283)
Harworth Guarantee Co. Limited	**–**	**–**	–	–
Harworth Estates Overages Limited	**–**	**1**	–	2
Harworth Estates Mines Property Limited	**213**	**6,464**	–	6,256
Harworth Estates Curtilage Limited	**75**	**2,290**	45	2,216
Harworth Estates Waverley Prince Limited	**(9)**	**(336)**	(6)	(265)
Harworth Estates Property Group Limited	**(290)**	**(9,749)**	(108)	(6,662)
Harworth Surface Water Management (North West) Limited	**(17)**	**(529)**	(10)	(510)
Coalfield Estates Limited	**–**	**–**	–	–
Harworth Estates Warwickshire Limited	**–**	**1**	–	2
Harworth TRR Ltd	**(2)**	**(249)**	–	13
Logistics North MC Limited	**–**	**1**	–	2
POW Management Company Limited	**–**	**(2)**	–	(1)
Rossington Community Management Company Limited	**–**	**(1)**	–	(1)
Flass Lane Management Company Limited	**–**	**(1)**	–	(1)
Mapplewell Management Company Limited	**–**	**(1)**	–	(1)
Cadley Park Management Company Limited	**–**	**(2)**	–	(1)
Simpson Park Management Company Limited	**–**	**(1)**	–	(1)
Ansty Development Vehicle LLP	**3**	**107**	–	6
Harworth Surface Water Management (Bardon) Limited	**–**	**2**	–	–
	(17)	**(5,724)**	69	3,530

Dividends received

During the year the Company received dividends of £nil (2021: £nil) from subsidiary undertakings.

31. Post balance sheet events

There are no post balance sheet events to disclose that have not been disclosed publicly by a regulatory news announcement.

Glossary of frequently used terms and abbreviations

2018 Code	2018 UK Corporate Governance Code
AGM	Annual General Meeting
AHFS	Assets held for sale
AMP	Advanced Manufacturing Park
APM	Alternative Performance Measure
BCP	Business Continuity Plan
BREEAM	Building Research Establishment Environmental Assessment Method
BTR	Build to Rent
CDM	Construction Design and Management
CEO	Chief Executive
CFO	Chief Financial Officer
CIO	Chief Investment Officer
COO	Chief Operating Officer
CPD	Continuous Professional Development
DSBP	Deferred Share Bonus Plan
EA	Environment Agency
EAP	Employee Assistance Programme
EBT	Employee Benefit Trust
EPC	Energy Performance Certificate
EPRA	European Public Real Estate Association
ERV	Estimated Rental Value
ESG	Environmental, Social and Governance
EY	Ernst & Young LLP
FRC	Financial Reporting Council
GDPR	General Data Protection Regulation
GHG	Greenhouse gas emissions
GLC	Group Leadership Committee
GRAM	Group Risk and Assurance Map
GVA	Gross Value Added
IPCC	Intergovernmental Panel on Climate Change
KPI	Key Performance Indicator
KWh	Kilowatt hours
LEP	Local Enterprise Partnership
LTIP	Long-Term Incentive Plan
LTV	Loan to portfolio value
MEES	Minimum Energy Efficiency Standard
NAV	Net Asset Value
NDV	Net Disposal Value
NZC	Net Zero Carbon
PEVG	Profit Excluding Value Gains
PPA	Planning Promotion Agreement
PSG	People Steering Group
PV	Photo-Voltaic
RCF	Revolving Credit Facility
RCP	Representative Concentration Pathway
RICS	Royal Institution of Chartered Surveyors
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
RSP	Restricted Share Plan
SAYE	Save As You Earn
Senior Executive	Comprises the CEO, CFO, COO, CIO and General Counsel.
SID	Senior Independent Director
SIP	Share Incentive Plan
SSSI	Site of Special Scientific Interest
TCFD	Task Force on Climate-Related Financial Disclosures
TSR	Total Shareholder Return
UN SDGs	United Nations Sustainable Development Goals
WAULT	Weighted average unexpired lease term

Company information and investor timetable

Chair
Alastair Lyons

Chief Executive
Lynda Shillaw

Chief Financial Officer
Kitty Patmore

Non-Executive Directors
Angela Bromfield
Ruth Cooke
Lisa Scenna
Patrick O'Donnell Bourke
Marzia Zafar
Steven Underwood
Martyn Bowes

Company Secretary and Registered Office
Christopher Birch
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Rotherham, S60 5TR

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M2 3EY

Solicitors
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Sheffield, S1 2JX

Brokers
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Liberum Group Limited
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Leeds, LS2 8JQ

HSBC UK Bank plc
1 Centenary Square
Birmingham, B1 1HQ

Company Registered Number
02649340

Share price information
The Company's Ordinary Shares are traded on the London Stock Exchange.
SEDOL number BYZJ7G4
ISIN number GB00BYZJ7G42
Reuters ticker HWG.L
Bloomberg ticker HWG:LN

LEI Code
213800R8JSSGK2KPFG21

Financial Calendar
Annual General Meeting — 23 May 2023
The Bessemer Conference Room, AMP Technology Centre, Advanced Manufacturing Park, Brunel Way, Catcliffe, Rotherham, S60 5WG.

The AGM will be webcast live. For further information, please see the Notice of AGM published at www.harworthgroup.com/investors/annual-general-meeting

Interim Results Announcement 2023 — September 2023
Interim Results to be published at www.harworthgroup.com/investors

Registrars
All administrative enquiries relating to shareholdings should, in the first instance, be directed to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA (telephone: +44 (0)371 384 2301) and should clearly state the registered shareholder's name and address.

Dividend mandate
Any shareholder wishing dividends to be paid directly into a bank or building society should contact the Registrars for a dividend mandate form. Dividends paid in this way will be paid through the Bankers' Automated Clearing System ('BACS').

Website
The Group has a website (www.harworthgroup.com) that gives further information on the Group.

Consultancy, design and production by: jonesandpalmer.co.uk

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