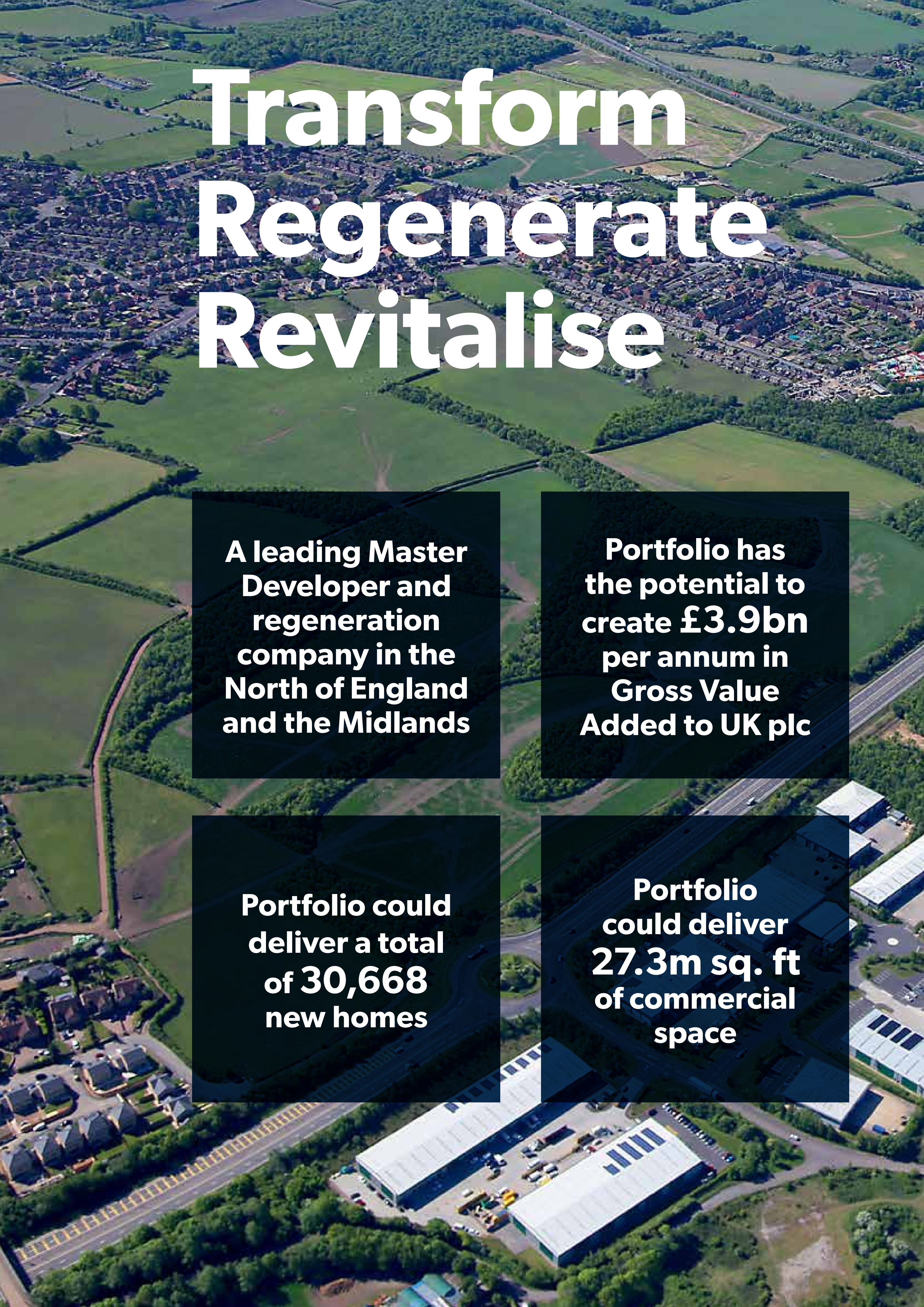
Harworth Group plc

Annual Report and
Financial Statements
2020



Transform Regenerate Revitalise

A leading Master Developer and regeneration company in the North of England and the Midlands

Portfolio has the potential to create £3.9bn per annum in Gross Value Added to UK plc

Portfolio could deliver a total of 30,668 new homes

Portfolio could deliver 27.3m sq. ft of commercial space

Strategic Report

Corporate Governance

Financial Statements

Gateway 36, Barnsley

Our Purpose

Harworth invests to transform land and property into sustainable places where people want to live and work

2020 Highlights

Harworth delivered a total return of 3.0% to shareholders in 2020 by continuing to plan and create great places for people to live and work. Our pipeline of over 30,000 homes and 27m sq. ft of commercial space in our core markets of residential, and industrial and logistics, alongside our low gearing and strong balance sheet, is a solid platform for future growth

- NAV growth to £488.7m and EPRA NDV[1] growth to £515.9m
- Revenue of £49.6m from Capital Growth and £20.4m from Income Generation
- Strategic land acquisitions and planning promotion agreements signed to deliver c3,300 residential plots and c3.4m sq. ft of commercial space
- Annualised rental income grown to £19.8m through new acquisitions and asset management initiatives
- Resilient rent collection of 96% during 2020
- Net debt £71.2m and net loan to portfolio value 11.5%
- Recommended final dividend per share of 1.466p: underlying growth of 10% and supplemented to reflect the cancellation of the 2019 final dividend[2]

1. European Public Real Estate Association Net Disposal Value. Harworth discloses both statutory and alternative performance metrics (APMs). A full description and reconciliation to the APMs is set out in Note 2 to the financial statements on pages 163 to 166.
2. If the 2019 final dividend had not been cancelled and included within the 2020 final dividend, the 2020 full year dividend would have been 1.102p per share, an increase of 10% on the original declared 2019 dividend


Fusion at

Strategic Report

Residential development and attenuation pond at Waverley

Delivering our Purpose:
How the business works

We balance the delivery of our Purpose and long-term market-leading shareholder returns through the application of the following model, reflecting that our people and the 'Harworth Way' are absolutely central to our success.

Harworth invests to transform land and property into sustainable places where people want to live and work

Take Pride in our People and Partnerships

Act with Integrity and trust

Deliver Creative Solutions

Communities

Planet

People

Partners

Governance

*See pages 44, 52, 58, 64 and 70 for more on "The Harworth Way"

Our Purpose

Our Values

The Harworth Way

Development:
Driving the capital growth of our land and property

Investment:
Income and value generation through active asset management

Sectors:
Concentrating on those property markets with strong, through-the-cycle returns

Regions:
Leveraging relationships across our core areas in the North of England and Midlands

Underpinned by a prudent financial approach with low gearing

Measuring performance with our KPIs:
Total return, EPRA NDV per share growth, Value gains, Profit excluding value gains, Net debt & net loan to portfolio value together with the following operational KPIs:

- Residential plots & employment space delivered
- Planning permissions submitted & approved
- Future pipeline of residential plots and employment space
- Potential Gross Value Added that could be delivered from the portfolio
- Sustainability and placemaking credentials

Key business risks: Markets, Delivery, Politics, Finance, People, Environment, Social, Governance, Legal & Regulatory

***See pages 10 and 11 for more on Our Strategy**

Our business model creates long-term value for our shareholders, whilst delivering thousands of new homes and millions of sq. ft of employment space

***See pages 12 and 13: How we deliver value**

Our Strategy

Our Business Model

Doing business the Harworth Way

Harworth is committed to delivering shareholder returns in the right way by creating sustainable new places that support the social and economic development of the North of England and the Midlands.

Our stakeholders, including our shareholders, are also seeking increased transparency on the actions that we take in delivering our Purpose whilst creating long-term value.

In early 2020, we launched **"the Harworth Way"**, encapsulating how we do business. We have selected five principal themes to address major social, economic and environmental trends.

During the year, we embedded these principles within the Group, including reporting against the Harworth Way in all investment papers.

We have signed the UN Global Compact statement reaffirming our commitment to the Sustainable Development Goals.

We established an ESG Steering Group, with members from every team across the business, to commence work to identify our short and long-term targets for the Harworth Way themes.

We will continue to build on this in 2021 to develop detailed targets and measures.

Communities

Planet

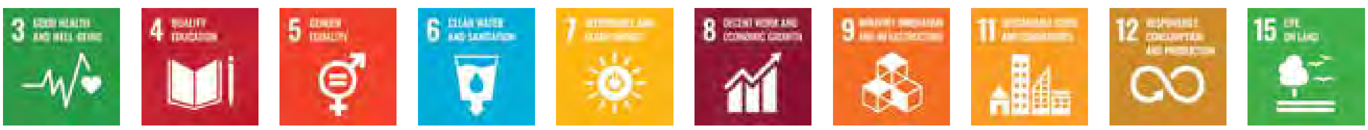
People

Partners

Governance

The Harworth Way

Our work actively contributes to the delivery of ten of the UN's sustainable development goals. More can be read about this within each individual section by following these codes.



Communities

Read more on pages 44 to 51

We build, strengthen and support our communities now and for future generations

We deliver some of the North of England and the Midlands' largest new developments. This includes:

- commercial and residential sites in the Midlands and North, creating thousands of new jobs with the potential to contribute over £3.9bn Gross Value Added (GVA) p.a.; and
- helping to meet the UK's undersupply of housing, with developments including affordable housing and a range of tenures.

Planet

Read more on pages 52 to 55

We aim to create places in a sustainable way, efficiently using natural resources to minimise our own environmental impact

In our role as Master Developer we often regenerate sites with former industrial uses, safely managing any environmental liabilities while we do so.

This also includes supporting the development of renewable energy. We are landlord for a number of low-carbon energy schemes and several leading low-carbon firms are occupiers on our sites such as ITM, Xeros and the UK Atomic Energy Authority.

Our sustainability credentials also extend to how we develop 'natural' assets into our developments, and enhance biodiversity including surface water attenuation schemes being installed across all of our major developments.

People

Read more on pages 58 to 63

We aim to build a business where people can flourish and placemake responsibly across our developments to create places and spaces that promote health and wellbeing – ultimately improving people's lives

Our responsible approach to development also directly influences our master planning, with hundreds of acres of new public open space being delivered each year to support more active lifestyles and improved mental wellbeing.

Developing the skills of our people is crucial in delivering against our Purpose and an essential part of our day-to-day work is ensuring that all of our employees live the "Harworth Values".

Partners

Read more on pages 64 to 67

We develop strong partnerships based on shared goals, responsibly working towards a joint goal of long-term value creation for a range of stakeholders

We focus on creating sustainable value through continuing partnerships with customers, local authorities, the Government and our suppliers to make best use of our sites for local communities.

We engage regularly with our existing and potential shareholders and provide clear, timely information on our long-term strategy.

Harworth sites are often designated and developed as centres of excellence for industry and to stimulate growth. This includes partnerships with three leading universities to promote new skills and innovation relating to advanced manufacturing, wellness and rail.

Governance

Read more on pages 70 to 72

High standards of corporate governance underpin the effective operation of our company

Good governance has been built into the foundations of the Harworth approach from the start. In 2021 we are working to better understand how our governance supports the delivery of our long-term purpose and furtherance of our strategic priorities.

We aim to regularly review and continually improve in these areas and align with industry best practice.

Our strategy:

Our five strategic pillars to deliver our Purpose

Key business risks

Markets	Delivery	Politics
Finance	People	Environment
Social	Governance	Legal & Regulatory

1 Development

Driving the capital growth of our land and property portfolio through new strategic asset acquisitions, delivery of planning permissions, site remediation and infrastructure, before crystallising land sales

Key Business Risks

Highlights

- Growth in value and profitable sales contributing to 2.8% EPRA NDV per share growth and total return of 3.0% in 2020
- Planning permission achieved at Gateway 36 and Woodville
- Acquisitions taking the pipeline to 30,668 residential plots and 27.3m sq. ft of commercial space

Key Performance Indicators

- Total return
- EPRA NDV per share growth
- Value gains
- Sustainability & placemaking credentials

2 Investment

Ensuring sustainable income generation through new income acquisitions, asset management of existing rental sites, direct development of new space and recycling of portfolio into higher value adding opportunities

Key Business Risks

Highlights

- New acquisitions and asset management growing our rental income and valuations
- We are covering our Group overheads, interest costs and non-transactional tax
- Strong rent collection demonstrating the resilience of our income stream

Key Performance Indicators

- Profit excluding value gains
- Future pipeline of employment space
- Sustainability & placemaking credentials

3 Sectors

Concentrating on those property markets with strong, through-the-cycle returns

Key Business Risks

Where we are

We are focused on the 'beds and sheds' sectors which are structurally supported by strong demand and under-supply in the regions in which we operate. We are committed to delivering our engineered land products for both of these sectors, with a particular focus on increasing the range of residential tenures on our sites and supporting key regional industries

Key Performance Indicators

- Residential plots & employment space delivered
- Planning permissions submitted & approved

4 Regions

Leveraging our strong relationships in our core areas in the North of England and the Midlands to deliver growth to our portfolio and these regions

Key Business Risks

Where we are

Our regional teams structure is fully operational and we are bringing forward sites across our regions in Yorkshire and Central, North-West and the Midlands. We continue to work with all our stakeholders to deliver projects of regional significance

Key Performance Indicators

- Potential GVA that could be delivered from portfolio

5 Underpinned by a prudent financial approach

Expanding our use of alternative capital sources whilst maintaining our low balance sheet gearing to support the business and enhance returns

Key Business Risks

Where we are

With net debt of £71.2m and a net loan to portfolio value of 11.5%, we have maintained our prudent balance sheet gearing to support our business

Key Performance Indicators

- Net debt
- Net loan to portfolio value

Implemented through our Business Model across 16,000 acres and around 100 land property sites

How we deliver value

Our Business Model

Our business model creates long-term value for our shareholders. Over the last five years we have generated an average annual total return of 10.1% for our investors, whilst delivering thousands of new family homes and 3.6m sq. ft of employment space in the regions in which we operate.

What sets us apart is our approach as Master Developer. Our experienced team take the most challenging sites and work collaboratively with stakeholders, reflecting on a site's location and assets, to undertake sustainable development.

We have seven specific phases, adding value at all stages of our model.

Capital reinvestment

1. Acquisitions & land assembly

We have a large strategic landbank across the North of England and the Midlands, where we own, manage and develop approximately 16,000 acres of land on around 100 sites.

Key to our strategy is to replenish our portfolio with acquisitions to ensure the future growth of the business. 51% of our total portfolio by value has been acquired since we re-listed in 2015.

2. Master Planning

Our core skill as a business is to create a strategic vision and plan for all our sites which, when brought to market with planning permission for sustainable residential or commercial uses, create value.

3. Planning approval

We currently have planning consents for 9,355 residential plots and 9.2 million sq. ft of commercial space. A large proportion of these consents are taken forward as Harworth Major Developments, which are often seen as showcase projects for regeneration.

ACQUISITION

PLANNING

Recurring income

7. Asset management

Finally, we actively asset manage our landholdings and built commercial space to deliver further value from the portfolio. Asset management also includes repurposing our built space, where appropriate, regearing leases to grow our income and managing our Business Space and Natural Resources sites to ensure overheads are minimised and tenants are satisfied.

Where appropriate, we will sell mature income generating sites, reinvesting the proceeds into higher yielding value adding opportunities.

Capital receipt £££

4. Land remediation & infrastructure development

Once a use for a site has been identified, we apply design and value engineering principles through our in-house development team in remediating land and creating development platforms that match the proposed use.

5. Plot sale and build out

We either sell engineered land for residential or commercial purposes, or retain land to grow our income portfolio – either through leasing directly developed commercial units or renting out land.

6. Placemaking

We continue to invest in our sites alongside sales. Whether it is providing schools and facilities alongside the new housing communities being created, or green spaces for exercise alongside logistics units where hundreds are newly employed. We aim to make great places where people want to live and work.

DEVELOPMENT

Our sectors

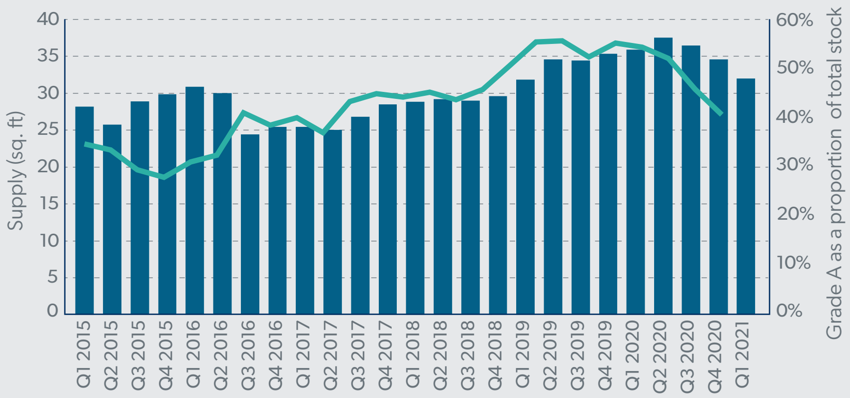
We operate within the industrial and logistics and the residential markets which have strong fundamentals with structural under-supply in the North of England and the Midlands.

INDUSTRIAL AND LOGISTICS

Strong demand for quality space

We are seeing strong demand for good quality, well-located space in all regions. Take-up of new space in 2020 was the strongest ever recorded. There has been a sharp decline in availability, particularly of Grade A space and there is less than 10 months' worth of supply based on the rolling 3-year average take-up.

Supply: Sharp decline in Grade A availability

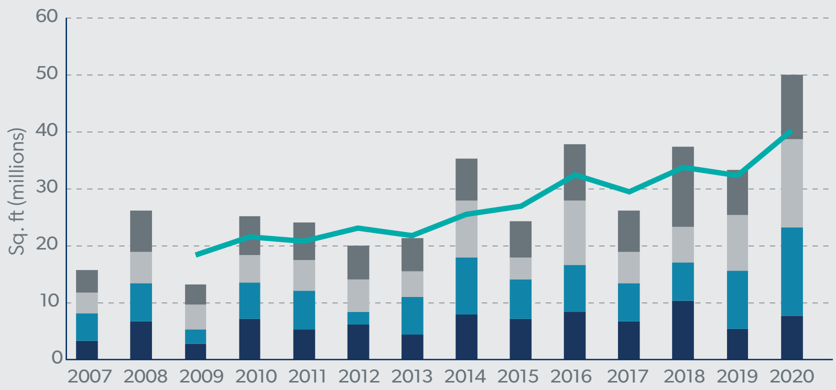


Source: Savills Research

Favourable structural trends

The pandemic has accelerated the decline of the High Street and the continued growth of e-tailing and home delivery: the demand from the businesses who are benefitting from these trends is set to remain strong.

Take-Up: 2020 was the strongest year ever recorded

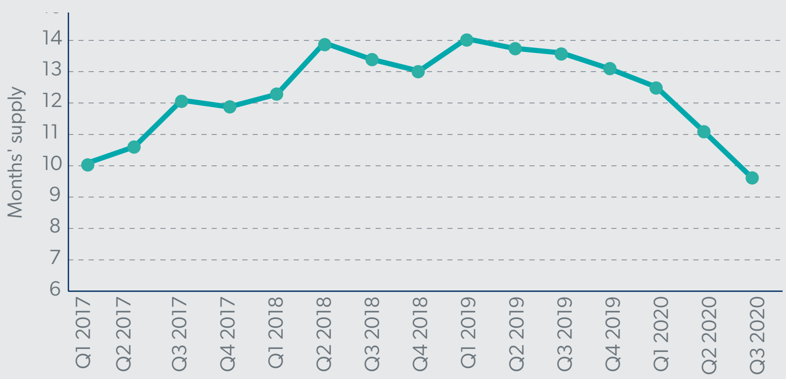


Source: Savills Research

Supply remains limited

Continued strong demand means that supply of industrial and logistics space remains very tight.

Supply: Less than 10 months' worth of supply based on rolling 3-year average

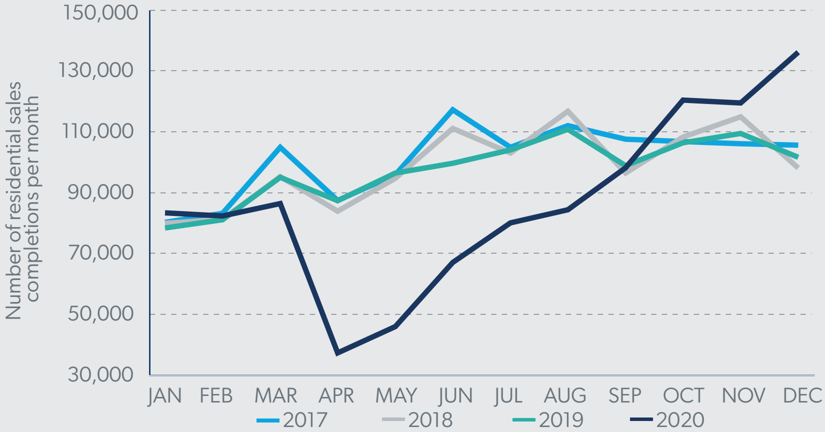


Source: CBRE Research

Strong demand for land

During 2020 we continued to see strong demand for prepared land from housebuilders across our regions. We have now sold land to 17 different housebuilders, both regional specialists and national operators. The UK residential property market bounced back strongly after the first lockdown with total transactions for the year at 88% of the average level of the previous three years.

Total 2020 transactions were at 88% of the three-year average

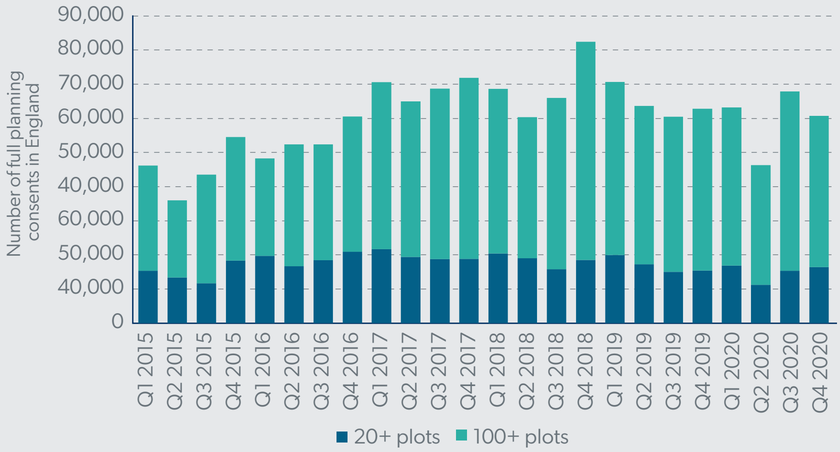


Source: Savills Research based on HMRC data

Supply of new homes continues to fall

Despite the strong demand for affordable family homes, planning consents for new housing has continued to fall during 2020.

Homes granted consent in England 2015-2020

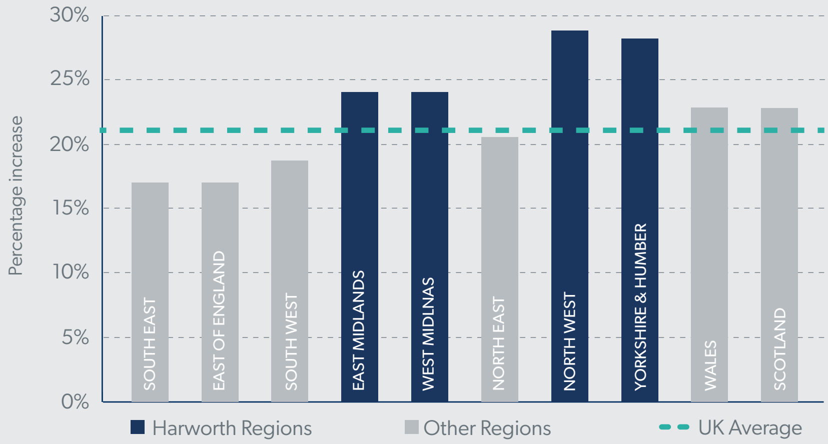


Source: Savills Research using Glenigan

House price growth forecast to continue

The government's target to deliver 300,000 new homes per year represents a significant challenge, with the number of new homes granted planning each year for the past five years remaining well below that target. The lack of supply and the favourable affordability ratios for first-time buyers in the North of England and the Midlands, particularly compared to London and the South East, means that the regions in which we operate are forecast to see the fastest growth in house prices over the next five years.

5-year UK house price forecasts 2020-2025 by region



Source: Savills Research

Track record:

A long-term track record of success

Over the past five years, we have established a track record of delivering long-term, market leading returns whilst helping to regenerate the regions in which we work, including areas of economic and social deprivation.

Delivering sites for homes and employment

4,542

residential plots

and 3.1m sq. ft of employment land sold over the past five years

Long-term market leading returns

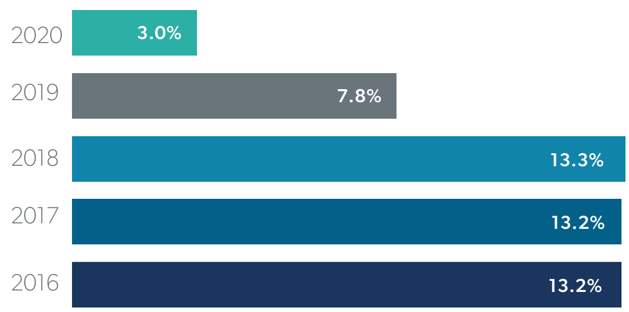
10.1%

average total return p.a.

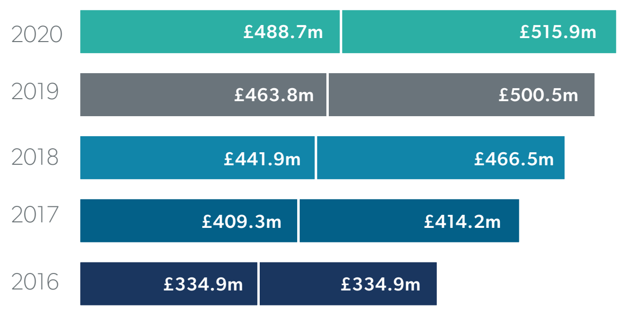
delivered between 2016 and 2020

Financial Track Record

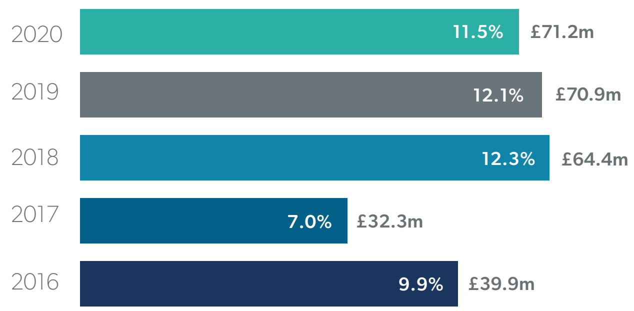
Total Return



Net Asset Value and EPRA NDV

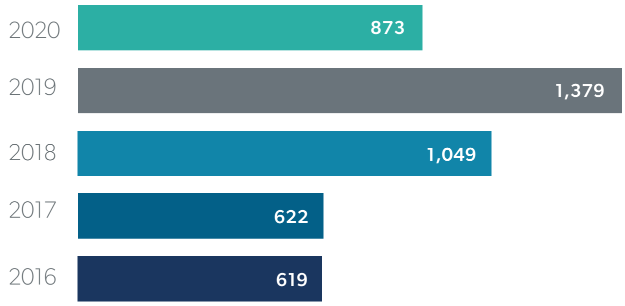


Net loan to portfolio value and Net debt

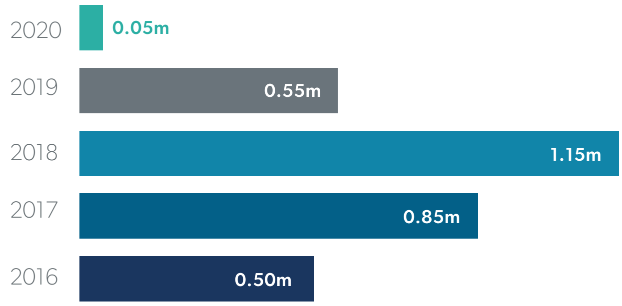


Economic and Social Track Record

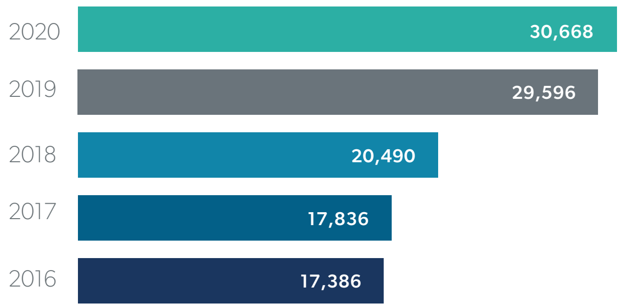
Number of plots sold to housebuilders



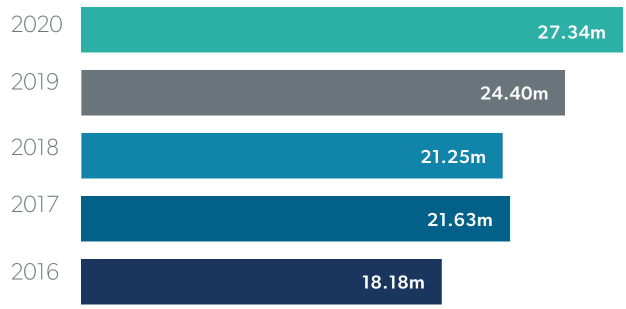
Consented land sold for employment uses: sq. ft



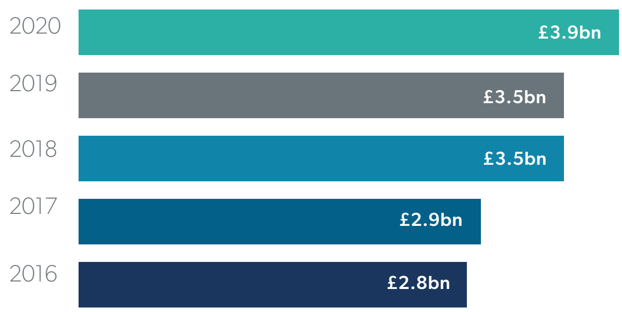
Total identified pipeline: Residential plots



Total identified Commercial pipeline: sq. ft



Potential GVA that could be delivered from our land and property portfolio



Satisfaction of our employees

Chair of the Board's Message

Alastair Lyons

Introduction

In a year in which we all seem to have had everything possible thrown at us I am very proud of what the Harworth team has achieved. Despite the disruption to the way in which we, and all those with whom we deal, normally work, the business largely delivered what it had set out to at the beginning of the year in terms of progress on developments, site sales, and the acquisition of additional income generating properties. The extent of the £45.5m value gains[1] realised in the second half has been particularly encouraging, reflecting in part the strong progress we have made across our sites, both in terms of planning and partial realisations at or above book value, and also our team's effective asset management of income-generating properties to improve valuation yields. This performance allows us to show a 5.4% increase in net asset value and 3.1% increase in EPRA NDV across 2020 as a whole, a very creditable result in an extraordinary year.

COVID-19

Thanks to the work our team had undertaken on our IT infrastructure over the 12 months preceding the first wave of the pandemic we were able, effectively overnight, to move entirely to home working across our offices, and this has continued to the present day. Our first priority has been, and remains, the safety of our people and those with whom we interact. Whilst maintaining appropriate precautions and observing government guidelines our contractors have been able to deliver the substantial works we had planned on our sites, making it possible to realise the first sale on our important development at South East Coalville in Leicestershire, and further phases at our Waverley flagship site in Rotherham, at Micklefields (Flass Lane) in Castleford, and at Thoresby. I would also like to express my thanks to all our other stakeholders, in particular the planning authorities with whom we interact and the contractors, consultants and professional services firms that support our development activity, for the way in which they have maintained what for us are essential services during these very difficult times.

Business Value

The reduction at the half year in the valuation of our portfolio of major residential developments was inevitable given market uncertainty at the time, particularly as to future development timescales to sales realisation. We were, therefore, very pleased to see valuations move forward strongly in the second half, reflecting the good progress that we had achieved on major developments such as the Advanced Manufacturing Park (AMP) at Waverley, asset management initiatives we had taken which resulted in improved valuation yields on parts of our income generating portfolio such as at Brierley Hill in the West Midlands, and the reversal in part of first half reductions on residential sites as we continue to sell sites at or ahead of book value on developments such as South East Coalville.

Along with much of the market, our share price fell in 2020 with the onset of the pandemic and, as at the time of writing this report, it remains at a 20% discount to EPRA NDV. We are clear that the way to narrow this discount is to trade strongly by delivering a well thought through strategy, and to communicate very clearly our progress and potential to both current and potential investors. These are the key measures of success against which the Board will assess the achievement of our management.

(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.

Dividends

Whilst we understand that with a yield of only 0.86% it is not dividends that drive investor appetite for Harworth, we recognise that the payment of dividends is an important litmus test of a company's progress and potential. As I said in my last statement written in June 2020, we had to be prudent in the face of the uncertainty created by the first wave of the pandemic and plan accordingly, key to which was ensuring the financial security of the business. For this reason, we decided with regret not to pay the 2019 final dividend but to review the potential to catch this up later in the year when we understood better the implications of the pandemic for our business. Having achieved strong sales during the second half of 2020 and with £50m undrawn debt facilities at the beginning of 2021 we have the confidence to declare a 1.466p 2020 final dividend. This includes both the passed over 2019 final dividend of 0.698p and a 2020 final dividend of 0.768p, and represents a 10% underlying progression of dividends in respect of the 2020 year.

Our Strategy

Last year I explained the relevance of our Purpose: "Harworth invests to transform land and property into sustainable places where people want to live and work". The previous year I took as my theme that Harworth is all about its people: I wrote that our ability to create value derives from their ability to identify opportunities; create master plans; negotiate acquisitions, disposals, and leases; develop relationships with local stakeholders; build partnerships with funders, developers, house-builders, and commercial clients; devise innovative remediation solutions for complex heavy industrial legacies; identify the right point in the market to offer sites for sale; and manage complex projects requiring the organisation of and interaction with multiple professional advisers and contractors. The 80 people who make up Harworth are specialist professionals in the various aspects of delivering our Purpose – that is what Harworth is, hence our strategy will always be directly aligned with that Purpose. It may vary in terms of its geographic and sectoral reach and which parts of the value chain Harworth itself undertakes but the fundamentals of our strategy will not change as these are derived from our Purpose.

It is entirely appropriate, and to be expected, that as an incoming Chief Executive, Lynda Shillaw will, once she has settled into the role and completed her first year-end, undertake a comprehensive review of the business and propose to the Board her medium-term objectives and the path to their delivery. However, for the reasons set out above and because our shareholders have invested in Harworth because of what we are and do, I anticipate this to be evolution not revolution.

Our Purpose aligns clearly with the direction society is taking to place much greater emphasis on sustainability and the environment, whilst our primary sectors of edge of settlement residential and commercial logistics are coming into even stronger focus post-COVID-19 as families place greater value on their home space and the trend to online retail accelerates. Our Northern operations are also well placed to benefit from the Government's levelling-up agenda and from its continued focus on boosting the rate of UK housebuilding.

Our Board

2020 was a year of significant change. First and foremost we said goodbye at the end of October to Owen Michaelson who retired after 10 years as Harworth's Chief Executive. During that time he had taken the business from being the estates division of UK Coal, focussed on extracting cash to support the core mining business, to a premium-listed company with its own clear identity and purpose and to a position where its coal legacy is fast becoming a minor part of its activities. Owen takes with him our grateful thanks and our best wishes for the future.

In his place we are delighted to have Lynda Shillaw join us as Chief Executive. Lynda comes to us after a long career in real estate, much of it in the North of England, bringing with her a deep understanding of our markets and strong existing relationships with many of our stakeholders. Previously she was Group Property Director and a Board Member at the listed 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, where she was responsible for its investment portfolio and development land bank, including its "Airport City" joint venture.

The end of October also marked the retirement after nine years of Lisa Clement, our Senior Independent Director, who also chaired our Remuneration Committee. At the same time, we were sad to say goodbye to Andrew Cunningham who had joined the Board in 2016 and chaired our Audit Committee. We have much to thank both of them for and will miss their wise counsel. As a consequence, Angela Bromfield assumed the role of Senior Independent Director and became Chair of the Remuneration Committee, and Patrick O'Donnell Bourke joined the Board as an Independent Non-Executive Director to take the role of Chair of the Audit Committee.

Patrick has significant senior international experience in investing in, and managing, infrastructure, as well as having worked extensively in the electricity and renewable energy sectors. His most recent executive role was that of Group Finance Director for John Laing Group plc from 2011 until his retirement in 2019.

In anticipation of Lisa Clement's retirement we announced at the half-year the appointment to the Board of Lisa Scenna as an Independent Non-Executive Director who has joined our Remuneration and Audit Committees. Lisa has over 20 years' experience working at executive director level in large multinational corporations both private and publicly listed with a strong background in strategic and financial business change. Her most recent executive role was with Morgan Sindall Group as Managing Director of MS Investments.

As Chair I am delighted by the depth of relevant experience and the diversity of thought, background, and gender that we have around the Board table. I am confident that we have a team capable of adding significant value over the coming years and I much look forward to being able to hold physical Board meetings again!

Thank you

First and foremost a huge thank you to our people for what the business achieved last year despite the extraordinary environment created by COVID-19. So many went above and beyond despite all the personal concerns that the pandemic has brought with it. They would not have achieved what they did without strong clear leadership by our executive team who displayed sound judgement through a very uncertain period. We would also not have done what we did without the support of those stakeholders who are pivotal to the success of our projects, and without the belief of our customers in the quality and relevance to their businesses of the sites we create – to them also, thank you.

Alastair Lyons
Chair
22 April 2021

Chief Executive's Statement

Lynda Shillaw

A personal perspective

I joined Harworth as Chief Executive at the beginning of November 2020, arriving in the business as the country went into a second COVID-19 lockdown. The global pandemic has dominated 2020 for most businesses, and Harworth has been no exception: that said, our performance in 2020 was very robust and we successfully navigated the resulting changes to working practices, maintaining focus on delivery throughout the year.

From the initial lockdown in March when we closed our offices in response to Government guidance, we have focussed on the health and wellbeing of our people, our partners, our customers, the communities in which we operate and the long-term financial strength of the Group. Harworth did not furlough any staff in 2020 and apart from the initial shutdown of construction sites at the beginning of the March lockdown we, along with our supply chain and customers, have continued to operate our sites safely and deliver key sales. As was evident from our 2020 Annual Employee Engagement Survey, morale has remained high and engagement levels amongst our people remain in the top decile. Their passion for the business, what we deliver, how we do it and living our values are, I believe, key differentiators of our business.

Since I first met members of the Harworth team, I have been consistently impressed by the quality of our people and the way that we go about our business. The Group has assembled a talented group of individuals who have a strong sense of social justice and are committed to our Purpose and to doing things in the right way, for the communities in which we work and which we help shape. The culture of the business is apparent in everything we do and our unique assets and financial strength underpin the long-term nature of the business. I believe that Harworth is one of a kind: a Master Developer with a unique combination of skills which have evolved as it successfully regenerated its legacy coal mining assets for employment and housing, and now increasingly focused on ambitious new strategic land and major development projects which make up more than 50% of our portfolio today. The scale of the opportunity at sites such as Waverley, Ironbridge and Coalville cannot fail to impress and our products of well-designed, sustainable new places where people want to live and work are more relevant than ever following the COVID-19 pandemic.

It is also very clear that Environmental, Social and Governance (ESG) is at the core of what Harworth does as a business. It is so much more than a series of statements, a tick-sheet or targets that are not fully relevant to our business: it is absolutely fundamental to how we operate, from major site remediation to master planning, place making, mineral extraction and energy generation. It is a source of enormous pride for our people. The range of what we do is significant and enhancement of the natural environment and creating great places for existing and new communities are fundamental elements of what we deliver. However, it also goes beyond this with the ongoing curation, oversight of and involvement in the developments on our sites, and the way that we work in partnership with local authorities, communities, universities, employers and housebuilders to continue to deliver exceptional outcomes. ESG is at the core of our Purpose.

Harworth is headquartered in Rotherham and our teams live and work in the regions in which we operate: this is very important. We have a deep understanding of those regions and the people who live and work there. We are focussed on regenerating and improving local economies and outcomes for our communities by working in partnership with key local stakeholders.

We are likely to feel the impact of COVID-19 for years to come as significant social divides have been laid bare, be they economic or digital. Wellness, mental health and access to open space have moved rapidly up society's agenda and the importance of 'community' throughout the pandemic is something we have not seen for many years. What Harworth does matters, and we intend to play a leading role in the Government's levelling up agenda and in driving the green economy in the UK. Harworth is well-positioned to be a key partner to central and local Government in rebalancing the economy, as well as continuing to create long-term value for our investors. Our core sectors of residential land and industrial property are both subject to long-term structural under-supply, providing resilience to the business through the cycle. Our ability to work with Government to regenerate and transform major sites that have either been vacant for decades or are what they are because of structural changes in the economy, such as power stations and steelworks, has been proven, for example, at sites such as Waverley. Put simply, Harworth has the track-record, the capabilities, and the strategic sites to deliver more projects like Waverley across our core regions.

Strong results demonstrate our resilience in challenging times

Despite the challenges posed by the global pandemic, Harworth delivered strong results in 2020 which is testimony both to the quality of our underlying business and the resilience and dedication of our teams. We continued to work through two national lockdowns during the year and were able to complete all our major targeted sales for the year, as well as undertake a number of important acquisitions that will drive our future growth.

Over the year, net asset value grew to £488.7m from £463.8m with EPRA NDV increasing to £515.9m (2019: £500.5m) representing EPRA NDV per share growth of 2.8% (2019: 7.2%) to 160.0p (2019: 155.6p).[1] This growth reflects the quality of our serviced land, the strength of the underlying markets in our core regions, the diversity of our portfolio, and the hard work of our teams in progressing sites and working closely with our customers. We were able to drive value gains from our underlying portfolio by continuing to prepare land for redevelopment, bringing forward and securing planning consents on major schemes, delivering sales for future residential and industrial end-uses and from active asset management of our diversified portfolio.

During 2020, the Group was able to complete all its major serviced land sales, driving value gains for the year. In total we sold 92.7 acres of serviced land comprising 873 residential plots, 48,640 sq. ft of commercial space, and land for an energy from waste facility for a combined consideration of £59.8m, at prices ahead of, or in line with, their 2019 book values. The continuing level of strong demand confirms the popularity and quality of our products and the relevance of our core Purpose of remediating and transforming land into attractive, sustainable places where people want to live and work. The COVID-19 pandemic has, if anything, accentuated the importance of the places that we create.

2020 also highlighted the importance and resilience of our investment portfolio in supporting the business with regular income which covers business overheads and finance interest payments, as well as providing the Group with additional value-add opportunities. Our team's active approach to managing our income portfolio ensured that, despite the uncertain economic backdrop, we continued to collect rent successfully from our tenants across the whole period with 96% of rent collected in 2020. The vacancy rate in our Business Space portfolio stood at 4.5% at 31 December 2020 (2019: 6.2%) and we continue to see strong tenant interest for good quality industrial and logistics space. Combined across our Income Generation and Capital Growth teams, our earnings per share increased to 8.0p per share (2019: 7.9p).

Adding to our land and income portfolio for future growth

Capital Growth

During the year we successfully added to our long-term pipeline of strategic land through land purchases of over 132 acres for a combined consideration of £10.5m. We also entered into three Planning Promotion Agreements (PPAs), including a potential new residential site in the West Midlands that could eventually deliver around 1,300 plots. As at 31 December 2020, our long-term pipeline stood at 30,668 residential plots and 27.3m sq. ft of employment space (31 December 2019: 29,596 plots and 24.4m sq. ft). Replenishing and growing our long-term pipeline of strategic land in our core areas are key to the future growth of our portfolio and remain a strategic priority for the Harworth management team.

Disposal of non-core assets

In line with our strategy of focusing our capital and management attention on adding value to sites that we believe can deliver significant capital growth or income, we continued to refine our portfolio during the year with the sale of sites totalling 2,335 acres. Much of this was agricultural land or mature income sites which we believe have limited development potential.

Growing our income-producing portfolio

During the year we also delivered on our strategy of growing our income portfolio, so that income therefrom will continue to cover all Group overheads as the business expands. Further details are provided on the following page: during the year, we made four income-producing acquisitions for a total consideration of £40.0m, reflecting a blended Net Initial Yield of 8.4%.

The continuing level of strong demand confirms the popularity and quality of our products and the relevance of our core Purpose of remediating and transforming land into attractive, sustainable places where people want to live and work.

(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.

Preparing land to create new communities as Master Developer

As a Master Developer a core capability is our ability to assemble packages of strategic land and bring them forward successfully through the planning system. Obtaining planning permissions in the UK is often not straightforward, but one of our core skillsets is managing complex planning applications, often with multiple owners, and working closely with Local Planning Authorities (LPAs) to achieve consent. Our experience with the LPAs in our core regions and our reputation for delivering high-quality, well-designed projects that benefit the local community and environment are key to our success in this area.

The Government's Planning for the Future White Paper was put out to consultation in August, proposing reforms of the UK planning system. The Government remains committed to the delivery of its target of 300,000 new homes each year. We have responded to Government as part of the consultation process, confirming that we are cautiously supportive of the proposed White Paper and are keen to work with Government to refine the plans following the conclusion of the consultation process.

The current planning system has adapted to the challenges of COVID-19 and while we have seen some delays, many LPAs quickly moved their planning committees to virtual meetings to determine applications. However, there has also been slippage in some Local Plans which we continue to factor into our plans.

During the year, we were successful in securing planning consent on a number of sites, including a 300-plot residential site at Woodville which is the subject of a PPA and permission for a further 1.1m sq. ft of industrial space at our Gateway 36 development in Barnsley where we have previously obtained consent for 0.2m sq. ft. Additionally, we have a number of applications currently in the planning system; as at 31 December 2020, applications for more than 1.3m sq. ft of employment space and over 2,500 residential plots were awaiting determination. Of these, the most significant are our application for 1.1m sq. ft of commercial space at our Wingates development where we expect the outcome of the recent Examination in Public in the Summer and our application at Ironbridge for 1,000 homes, together with a range of leisure and supporting uses.

Delivering engineered land for new homes and industrial spaces

Despite the challenges of the global pandemic, we were able to continue safely with the infrastructure and development works on all our development sites. The safety of our employees and those who work alongside us remained our top priority throughout the year, and it is a huge testimony to their hard work and dedication that we were able to achieve this. Underlying demand for Harworth's quality products from purchasers of residential and commercial land remained strong, despite the disruption caused by the pandemic. Highlights of the total property sales of £75.8m completed during the year included:

- 19.5 acres of industrial land at Skelton Grange near Leeds to Wheelabrator Technologies for a total consideration of £13.0m.
- Plot C1, a 2.2 acre plot at Logistics North to A&F Forecourts Ltd.
- 16.0 acres of residential land to Redrow at South East Coalville which represented Harworth's first transaction with Redrow.
- 16.0 acres at Thoresby Vale in Nottinghamshire to David Wilson Homes.
- 12.5 acres representing the second phase of South East Coalville to Bellway. This transaction was the first between Harworth and Bellway and the seventeenth housebuilder to which Harworth has sold engineered land since our formation.
- Two parcels of land in Yorkshire at Waverley and Micklefields (Flass Lane) to Avant Homes, with the latter marking the completion of the last residential sales on that site.

Maximising our investment portfolio

Our investment portfolio provides a recurring income stream needed to cover our overhead and finance interest costs, as well as making a significant contribution to our profits and value gains. During the year, our portfolio generated revenue of £20.4m (2019: £23.5m). Income is generated from our Business Space portfolio and from our position as landlord on our Natural Resources schemes, which include renewable energy generation. Our strategy is to use our in-house asset management skills and expertise to maximise capital values and rental income, to grow our portfolio through the purchase of high-yielding investments where we can add further value through active asset management, and to undertake selective direct development of industrial space on our existing sites. In time, it is our intention to grow our investment portfolio to a scale that would allow us to sell assets once we believe that their value potential has been maximised.

Existing investments

The tenant base of our investment portfolio is predominantly industrial and well diversified between different economic sectors. This has provided a high degree of resilience during the pandemic. Furthermore, our Income Generation team was very proactive throughout the year, working with our tenants during each of the lockdowns, in line with the Government code of practice, supporting them to trade through the period of economic disruption. Where necessary this included moving a small number to monthly payment plans. As a result, we collected 96% of the total rent owed for the year as a whole.

Our team were also extremely successful in agreeing new and renewed lettings during the year. The year-end average vacancy rate across our portfolio remained low at 4.5% (2019: 6.2%), with a weighted average unexpired lease term (WAULT) of 12.5 years (2019: 13.5 years).

Four new acquisitions

During the year, we continued our strategy of adding high-yielding assets with asset management potential to our investment portfolio, investing a total consideration of £40.0m in four income-producing acquisitions:

- Thorns Road Industrial Estate near Dudley for £10.1m plus costs, reflecting a Net Initial Yield of 10.2% and a Reversionary Yield of 12.8%. The site's fully-let industrial units totalling 360,000 sq. ft generate rent of £1.1m per annum and an additional 4.2 acres of vacant land provide further asset management potential.
- Two Short Term Operating Reserve (STOR) facilities: one in Gloucester for £1.2m plus costs reflecting a Net Initial Yield of 8.3% and one in Newport for £0.5m plus costs reflecting a Net Initial Yield of 8.5%.
- Our largest income-producing acquisition during the year was the off-market purchase for £26.0m plus costs of Saturn Park, Knowsley. The passing annual rent of £2.1m has a WAULT of 5.3 years, reflecting a Net Initial Yield of 7.7% and a Reversionary Yield of circa 9.0%.

Direct development activities

We progressed three direct development opportunities on our commercial development sites. This was in line with our stated strategy to undertake a limited number of such developments providing they satisfy three key tests: customer demand, funding and covenants, and projected returns that meet our corporate risk appetite.

In the second half of the year, we completed the 23,000 sq. ft research facility at the AMP in Rotherham, which has been let to the UK Atomic Energy Authority on a 20-year lease.

Given the strong demand for industrial space in the region and the low vacancy rates in our portfolio, we made the decision to start construction on a new 50,800 sq. ft unit on the last remaining vacant plot at Logistics North. Works started towards the end of 2020 and are expected to be completed later this year. We also built two retail units at Riverdale Park and Waverley, which have both been leased to Costa Coffee.

Our People

Since joining the Group last November, it is very clear to me that one of Harworth's greatest strengths is our people. They give us not just the skills required to transform land and property and create new communities for people to live and work, but through their hard work and dedication they also provide the drive and determination to deliver these projects on time and on budget, whatever the circumstances. This was particularly evident during 2020 in the face of the global pandemic; with the health and safety of our staff of paramount importance, we were able to remain fully operational throughout the lockdowns. During the year, we recruited several new members to the team to provide extra resources and skills and experience where needed.

Outlook

Looking ahead, while it seems that there is still some way to go to get back to a normal business environment in 2021, our results for 2020 give us great confidence in the strength and resilience of our underlying business and our ability to grow and prosper, despite the disruption caused by COVID-19. It is particularly reassuring that demand for our residential and industrial products in our core regions has remained strong throughout. We are undertaking a comprehensive review of the business to ensure that we both optimise the returns from our existing portfolio and continue to be well positioned to deliver growth and sustainable shareholder returns going forward. This work will be undertaken over the spring and summer 2021. It will build on our existing strengths, scale and the key attributes that position us to succeed: specialist and highly experienced teams; a long track record of acquiring, assembling and developing our strategic landbank; an unrivalled focus on creating places where people want to live and work and the ongoing curation of the places that we and our partners create; the scale and optionality of our strategic pipeline and our ability to unlock the latent value in the land portfolio; and our robust financial position and balance sheet strength.

I am delighted to have joined Harworth and I am excited to lead the business through its next phase of growth. I believe that Harworth can play a key role in helping local and central Government deliver on their core agendas on housing, 'levelling up', and the green economy, and that our Purpose, the culture of our business and the way that we create and curate places are more relevant now than ever. Demand for our serviced land has remained strong and we continue to see this in the first few months of 2021 as we make progress across the portfolio and explore potential acquisitions. Together with our strong balance sheet and opportunities in our core residential and logistics sectors, we are very well-placed to trade successfully through the pandemic and play a key role in delivering the infrastructure the country needs for regional economic recovery and long-term growth.

Lynda Shillaw
Chief Executive
22 April 2021


Saturn Business Park, Knowsley

Financial Review

Kitty Patmore

Financial Highlights

Whilst impacted by COVID-19, the solid operational performance throughout 2020 allowed us nonetheless to achieve 2.8% growth in EPRA NDV per share across the year.

During the period, revenue from our Capital Growth division comprising sales of serviced land, totalled £49.6m. This was lower than 2019 (£62.0m), predominantly the result of revising scheduled activities on site as the COVID-19 pandemic unfolded. We prioritised expenditure on sites to achieve year-end sales and we were pleased that all major sales were secured and completed on sites as planned. Achieving these sales continues to demonstrate strong underlying demand for our sites and our ability to manage our cashflows sustainably.

Revenue from Income Generation, predominantly from rental income was £20.4m (2019: £23.5m), reflecting strong rent collection throughout the year and bolstered by new acquisitions and a promote fee at Logistics North which partly offset the impact of the ongoing winding down of income from coal fines.

In total, this resulted in Group revenue of £70.0m (2019: £85.5m) and an operating profit of £27.8m (2019: £24.3m). The Group's profit excluding value gains (PEVG) was £3.5m (2019: £3.5m).

The independent valuations of our portfolio are an important part of the financial results for the Group. Value growth is driven by management actions on our sites, progressing the development and establishment of communities. The market environment also has an impact and, in this respect, 2020 had two distinct halves.

The first six months were characterised by uncertainties in the residential market due to COVID-19, which resulted in valuation reductions for our major residential development sites, largely reflecting changes in underlying profit assumptions. Conversely, as the structural changes already impacting the logistics sector were accelerated due to growing e-commerce demand, and rent collection remained high, the Business Space portfolio and the industrial land we own saw valuation increases in the first half.

In the second half of 2020, the progress that we made on our sites and the sales that we completed, all in line with or above 2019 book values, created value and demonstrated the resilience of our residential markets. This resulted in the reversal of some of those half-year valuation declines. On our industrial sites, letting activities, strong rent collection and the ongoing development of schemes resulted in valuation increases as the industrial market went from strength to strength. As a result, the Income Generation portfolio continued to grow in value and the Capital Growth portfolio also increased in value in the second half of the year.

While at the half year, the independent valuations were subject to a material uncertainty clause, the greater market clarity in the second half of the year meant that the independent valuations as at 31 December 2020 are no longer subject to this clause.

Over the year as a whole Net Asset Value grew to £488.7m (2019: £463.8m). With EPRA adjustments for development property valuations included, EPRA NDV at 31 December 2020 was £515.9m (2019: £500.5m) representing a per share increase of 2.8% to 160.0p (2019: 155.6p). This resulted in a total return (EPRA NDV growth plus dividends per share paid in the year) of 3.0% (2019: 7.8%).

With housebuilders returning to all major development sites in the early summer, an interim dividend of 0.334p (H1 2019: 0.304p) per share was paid in October. The Board remained committed throughout 2020 to considering, at the time of the final 2020 dividend, an increased payment for 2020 to reflect the cancellation of the 2019 full-year dividend following the onset of COVID-19. Given the full-year 2020 performance, the Board has approved the recommendation of a 2020 final dividend of 1.466p. This comprises the cancelled 0.698p per share final 2019 dividend and a 0.768p per share final 2020 dividend. The 2020 final dividend and 2020 interim dividend total 1.102p per share, an increase of 10% on the total 2019 dividend before cancellation.

The Group's Revolving Credit Facility was increased by £30.0m in May 2020 to £130.0m and the Group has continued to exercise a prudent and disciplined approach to financing. Harworth remains well capitalised and as at 31 December 2020 had substantial available liquidity of £62.7m (31 December 2019 £35.8m). The closing net loan to portfolio value (LTV) was 11.5% (31 December 2019: 12.1%), at the lower end of our net LTV target range. This provides the potential to support our future growth and means that we have significant headroom at 31 December 2020 to withstand a further substantial fall in residential values before we reach our tightest LTV covenant, whilst our projected interest cover ratios could withstand a downside scenario of a material loss of rental income before reaching the relevant covenant.

Presentation of financial information

We find that as our property portfolio includes development properties and joint venture arrangements, Alternative Performance Measures (APMs) can provide additional valuable insight into our business alongside the statutory results. In particular, revaluation gains on development properties are not recognised in the statutory Income Statement and Balance Sheet. The APMs set out to show measures which include movements in development property revaluations, assets held for sale, overages and joint ventures, and also the profitability of the business excluding value gains. 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 ALTERNATIVE PERFORMANCE MEASURES

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.

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

Profit excluding value gains
property net rental, royalty and fee income, net of running costs of the business which represents the underlying profitability of the business not reliant on property value gains or profits from the sales of development properties.

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, assets held for sale and overages.

EPRA NDV per share
EPRA NDV aims to represent shareholder value under an orderly sale of business, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability net of any resulting tax. This has replaced the previously used EPRA NNNAV measure. EPRA NDV per share is EPRA NDV divided by the number of shares in issue less shares held by the Employee Benefit Trust.

A full description of all non-statutory measures and reconciliations between all statutory and non-statutory measures are set out in Note 2 to the financial statements.

Harworth discloses some APMs which are EPRA measures as these are a set of standard disclosures for the property industry and thus aid comparability for our real estate investors and analysts. Following the release of new best practice recommendations by EPRA, we have replaced the reporting of EPRA NNNAV with EPRA NDV within these results. We believe that this measure continues to be the most appropriate measure to explain our business. The new EPRA APMs and previous APMs are reported in Note 2 for comparison purposes.

Our financial reporting is aligned to our business units of Income Generation and Capital Growth with items which are not directly allocated to specific business activities, held centrally and presented separately.

Income Statement[1]

	2020				2019			
	Capital Growth £m	Income Generation £m	Central Overheads £m	Total £m	Capital Growth £m	Income Generation £m	Central Overheads £m	Total £m
Revenue	49.6	20.4	-	**70.0**	62.0	23.5	-	85.5
Cost of sales	(56.2)	(3.2)	-	**(59.4)**	(50.5)	(7.1)	-	(57.5)
Gross (loss)/profit	**(6.6)**	**17.2**	**-**	**10.6**	11.5	16.4	-	27.9
Administrative expenses	(3.1)	(1.9)	(9.6)	**(14.5)**	(2.7)	(2.2)	(8.0)	(12.9)
Other gains	12.6	19.1	-	**31.7**	-	9.3	-	9.3
Other operating expense	-	-	(0.1)	**(0.1)**	-	-	(0.1)	(0.1)
Operating (loss)/profit	**2.9**	**34.4**	**(9.7)**	**27.8**	8.9	23.4	(8.1)	24.3
Share of profit of joint ventures	8.0	0.7	-	**8.7**	7.0	1.4	-	8.4
Interest	0.4	-	(3.5)	**(3.1)**	0.3	-	(2.7)	(2.4)
(Loss)/profit before tax	**11.3**	**35.1**	**(13.2)**	**33.4**	16.3	24.9	(10.8)	30.3
Tax charge	-	-	(7.5)	**(7.5)**	-	-	(4.8)	(4.8)
(Loss)/profit after tax	**11.3**	**35.1**	**(20.7)**	**25.9**	16.3	24.9	(15.6)	25.5

Note: (1) There are minor differences on some totals due to roundings

Revenue in 2020 was £70.0m (2019: £85.5m), split between revenue from Income Generation of £20.4m (2019: £23.5m) and revenue from Capital Growth of £49.6m (2019: £62.0m).

Capital Growth revenue, which results primarily from the sale of development properties, was £49.6m which was lower than 2019 (£62.0m) as a result of rescheduled activities on sites.

Income Generation (Business Space, Natural Resources and Operations) revenue mainly comprised property rental and royalty income. Revenue in 2020 is lower as a result of the ongoing trend of reduced sales of coal fines (2020: £0.0m, 2019: £4.0m), mitigated in part by increased rental income from property acquisitions and asset management. The core of our recurring income is from rental and royalty income from Business Space and Natural Resources assets which increased on an annualised basis from £15.0m to £19.8m in the period.

Cost of sales comprised the inventory cost of development property sales and the direct costs of the Income Generation business. Cost of sales increased to £59.4m (2019: £57.5m) of which £43.9m related to the inventory cost of development property sales (2019: £50.1m) and £10.4m related to an increase in the net realisable value provision on development properties (2019: £0.7m decrease). Administration expenses increased with the completed expansion of the regional teams and additional COVID-19 costs.

Other gains of £31.7m comprised the profit on sale of investment properties, assets held for sale and overages of £6.6m (2019: £3.7m) which included the sale of part of the site at Skelton Grange and a £25.1m (2019: £5.6m) net increase in the fair value of investment properties and assets held for sale.

Joint venture profits of £8.7m (2019: £8.4m) included an increase in the value of the Gateway 45 Leeds and Ansty Development Vehicle LLP prior to the acquisition of the remaining interest. Value (losses)/gains on a non-statutory basis are set out below.


Prince of Wales, Pontefract

Non-statutory value (losses)/gains[1]

Value (losses)/gains are made up of profit on sale, revaluation gains/(losses) on investment properties (including joint ventures), and revaluation gains/(losses) on development properties, assets held for sale and overages:

£m	Categorisation	2020 Profit on sale	2020 Revaluation gains/ (losses)	2020 Total	2019 Profit on sale	2019 Revaluation gains	2019 Total	2020 Total Valuation	2019 Total Valuation
Capital Growth									
Major Developments	Development	0.1	(10.4)	**(10.3)**	5.1	27.9	33.0	**248.1**	277.3
Strategic Land	Investment	6.1	6.5	**12.6**	0.0	(0.3)	(0.3)	**96.2**	75.7
Income Generation									
Business Space	Investment	(0.2)	14.8	**14.6**	0.1	4.8	4.9	**227.6**	172.8
Natural Resources	Investment	0.0	5.1	**5.1**	3.3	3.9	7.2	**38.3**	46.8
Agricultural Land	Investment	0.7	(0.4)	**0.3**	0.0	(0.8)	(0.8)	**8.0**	12.7
Total		**6.7**	**15.6**	**22.3**	8.5	35.5	44.0	**618.2**	585.3

Note: (1) A full description and reconciliation of APMs in the above table is included in Note 2 to the financial statements

An independent valuation of the land and property portfolio was completed by BNP Paribas and Savills as at 31 December 2020. This resulted in revaluation gains over the whole of 2020 of £15.6m (2019: £35.5m gains). The principal revaluation gains and losses across the divisions reflected the following:

- **Major Developments –** progress on our major development sites, the strength of the industrial market and sales of residential land supported valuations although only partly reversed the half-year residential land reduction as uncertainty remained in some parts of the residential markets;
- **Strategic Land –** increased due to profit on sale and valuation uplift at Skelton and demand for well-located industrial land across the portfolio including on acquisitions made during the year;
- **Business Space -** good letting progress achieved across our portfolio including the lease re-gear at Moxon Way and an increase in valuation at Nu-Farm reflecting a high quality covenant on a long term lease;
- **Natural Resources -** valuation uplifts as a result of asset management initiatives; and
- **Agricultural Land –** small reductions across a handful of assets.

The above valuation includes an industrial strategic land site in the Midlands which, after the acquisition of the remaining joint venture ownership, is now fully owned and has been consolidated from the acquisition date.

The net realisable value provision as at 31 December 2020 was £17.3m (2019: £6.9m) and held across nine development properties, with the increase in the year reflecting the results of the independent valuations undertaken. This provision reduces the value of these development properties from their deemed cost (the fair value at which they were transferred from investment property to development property) to their net realisable value at 31 December 2020. The transfer from investment to development property takes place once planning is secured and development with a view to sale has commenced.

In 2020, the Group achieved revaluation gains of £15.6m (2019 £35.5m) comprising;

	2020 £m	2019 £m
Increase in fair value of investment properties	**25.4**	5.8
Decrease in value of assets held for sale	**(0.3)**	(0.2)
Net realisable value provision on development properties	**(11.8)**	(0.5)
Contribution to statutory operating profit	**13.3**	**5.1**
Share of profits from joint ventures	**8.7**	8.4
Unrealised (losses)/gains on development properties, overages and assets held for sale	**(6.4)**	22.0
Total revaluation gains	**15.6**	35.5

Cash and sales

The Group undertook property sales[1] of £75.8m in 2020 (2019: £79.9m) achieving profits on sale of £6.7m (2019: £8.5m). The sales were split between residential serviced plots, totalling £44.4m (2019: £58.1m), commercial land, totalling £15.4m (2019: £4.4m) and other, mainly mature, income-generating sites and agricultural land, totalling £16.0m (2019: £17.4m).

Cash proceeds, including receipt of deferred consideration from prior years, were £83.8m (2019: £58.0m) as shown in the table below:

	2020 £m	2019 £m
Total property sales[1]	**75.8**	79.9
Less deferred consideration on sales in the year	**(21.6)**	(38.5)
Add deferred consideration from sales in prior years	**29.6**	16.6
Total cash proceeds	**83.8**	**58.0**

Note: (1) A full description and reconciliation of APMs is included in Note 2 to the financial statements

Tax

The income statement charge for taxation in the year was £7.5m (2019: £4.8m) which comprised a deferred tax charge of £7.9m (2019: £3m) and a current tax credit of £0.4m (2019: £1.8m charge).

The current tax credit resulted from a current tax charge of £0.4m, arising on profits from the sale of development properties, investment property and assets held for sale offset by the impairment of some development properties, and a £0.8m credit arising from the prior year reflecting the finalisation of land remediation relief and capital allowances.

The movement in deferred tax from 31 December 2019 mainly arose due to the increase in the valuation of investment properties as well as the reversed change in future corporation tax rate from 17% to 19% substantively enacted on 17 March 2020 and effective from 1 April 2020.

At 31 December 2020, the Group had deferred tax liabilities of £23.1m (2019: £15.6m) which largely related to unrealised gains on investment properties and recognised deferred tax assets of £7.3m (2019: £7.8m). The net deferred tax liability was £15.8m (2019: £7.8m).

Basic earnings per share and dividends

Basic earnings per share for the year were 8.0p (2019: 7.9p) reflecting the revaluation gains in investment properties, particularly across Strategic Land and Income Generation at 31 December 2020.

Reflecting the improving backdrop, an interim dividend of 0.334p (H1 2019: 0.304p) per share was paid in October. Given the full year 2020 performance, the Board has approved the recommendation of a 2020 final dividend of 1.466p. This is made up of the cancelled 0.698p per share final 2019 dividend and a 0.768p per share final 2020 dividend. The 2020 final dividend and 2020 interim dividend total 1.102p per share, an increase of 10% on the total 2019 dividend before cancellation of the final dividend.

Property categorisation

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 therefore be held as an 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. Property categorisation is reviewed as at 30 June and 31 December each year.

As at 31 December 2020, the balance sheet value of all development sites was £177.7m (2019: £202.1m) and the valuation (based on valuations by BNP Paribas and Savills) was £207.5m, reflecting a £29.8m 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 our investment properties, we use EPRA NDV, which includes the market value of development properties, assets held for sale and overages less notional deferred tax, as our primary net assets metric.

Logistics North, Bolton

Net asset value

	31 December 2020 £m	31 December 2019 £m
Properties[1]	**584.5**	541.0
Cash	**12.7**	11.8
Trade and other receivables	**56.4**	59.2
Other assets	**5.4**	4.3
Total assets	**659.0**	616.3
Gross borrowings	**83.9**	82.7
Deferred tax liability	**15.8**	7.8
Derivative financial instruments	**0.8**	0.6
Other liabilities	**69.8**	61.4
Statutory net assets	**488.7**	**463.8**
Value of development properties on a mark to market basis, assets held for sale and overages less notional deferred tax[2]	**27.2**	36.7
EPRA NDV[2]	**515.9**	**500.5**
Number of shares in issue (less Employee Benefit Trust shares)	**322,410,320**	321,777,367
EPRA NDV per share[2]	**160.0p**	**155.6p**

Notes: (1) Properties include investment properties, development properties, assets held for sale, 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 financial statements

EPRA NDV is £515.9m (2019: £500.5m) which includes the total mark to market value of the development properties, assets held for sale and overages. The total portfolio value as at 31 December 2020 was £618.2m, an increase of £32.9m from 31 December 2019 (£585.3m).

The share of profits from joint ventures net of distributions resulted in investments in joint ventures decreasing to £25.3m (2019: £31.8m), adjusted on a like-for-like basis for joint ventures included in the Group as at 31 December 2020). During the second half of 2020, Harworth acquired the remaining 50% interest in Ansty Development Vehicle LLP, with the full assets, liabilities and post-acquisition performance incorporated within the Group results from the acquisition date.

Trade and other receivables include deferred consideration on sales as set out above. At 31 December 2020, deferred consideration of £33.5m was outstanding (2019: £41.1m) of which £nil (2019: £12.8m) is due after more than one year.

The movement in EPRA NDV over the period is set out below and shows the role of value gains in the growth achieved during the year. Further detail on value gains is provided under **Non-statutory value (losses)/ gains** above.

	31 December 2020 £m	31 December 2019 £m
Opening EPRA NDV	**500.5**	466.5
Profit excluding value gains	**3.5**	3.5
Value gains	**22.3**	44.0
Interest and finance costs	**(3.1)**	(2.4)
Tax	**(6.5)**	(7.3)
Dividends	**(1.1)**	(3.0)
Other movements in value	**0.3**	(0.8)
Closing EPRA NDV	**515.9**	500.5

The table below sets out our top ten sites by value, which represent 43% of our total portfolio, showing the total acres for each site and split according to their categorisation, currently consented residential plots and commercial space:

				Residential plots		Commercial space (sq. ft)	
Site	Categorisation	Region	Acres	Consented	Sold/Built	Consented	Sold, built or purchased
Waverley	Development	Yorkshire & Central	419	3,890	1,714/1,124	-	-
South East Coalville	Development	Midlands	316	2,016	370/0	-	-
Nufarm	Investment	Yorkshire & Central	112	-	-	0.3m	0.3m
Knowsley	Investment	North West	35	-	-	0.4m	0.4m
AMP	Investment	Yorkshire & Central	113	-	-	2.1m	1.5m
Pheasant Hill Park	Development	Yorkshire & Central	307	1,200	522/240	0.1m	-
Four Oaks Business Park	Investment	North West	19	-	-	0.4m	0.4m
Melton Commercial Park	Investment	Midlands	141	-	-	0.3m	0.3m
Ironbridge	Investment	Midlands	359	-	-	-	-
Ansty	Investment	Midlands	145	-	-	-	-
TOTAL			**1,966**	**7,106**	**2,606/1,364**	**3.6m**	**2.9m**

Financing strategy

Harworth's financing strategy is to be prudently geared, with the Income Generation portfolio providing a recurring income source to service debt facilities. We believe this gives the Group a number of advantages:

- allows working capital swings to be managed appropriately given that expenditure on sites often occurs in advance of sales and thus net debt can increase materially during the year;
- gives the Group the ability to complete acquisitions quickly, which is often a differentiating factor in a competitive situation; and
- ensures that the Group does not combine financial gearing with its existing operational gearing, being exposure to planning, remediation/engineering, letting and sales risks.

Harworth's financing strategy continues to target a net LTV of 10% to 15% and entails the Group seeking as a principle to maintain its cash flows in balance by funding infrastructure spend and acquisitions through disposal proceeds. To take advantage of market opportunities, the Group may consider additional project specific debt facilities in 2021 which could result in a short-term increase in net LTV.

Waverley New Community

Debt facilities

The Group benefits from a £130m Revolving Credit Facility (RCF) with RBS and Santander, expiring in February 2023. The facility was increased by £30m to £130m in May 2020 until July 2022. The Group also uses, as part of its funding, infrastructure financing provided by public bodies to promote the development of major sites.

The Group had borrowings and loans of £83.9m at 31 December 2020 (2019: £82.7m), being drawings on the RCF (net of capitalised loan fees) of £79.7m (2019: £75.8m) and infrastructure loans (net of capitalised loan fees) of £4.2m (2019: £6.9m). The Group's cash at 31 December 2020 was £12.7m (2019: £11.8m). The resulting net debt was £71.2m (2019: £70.9m). The movements in net debt over the year are shown below.

	31 December 2020 £m	31 December 2019 £m
Opening net debt	**70.9**	64.4
Cash inflow from operations	**(25.8)**	(29.6)
Property expenditure and acquisitions	**56.1**	49.6
Disposal of investment property, assets held for sale and overages	**(27.7)**	(18.1)
Investments in and distributions from joint ventures	**(8.6)**	(1.2)
Interest and loan arrangement fees	**3.4**	2.4
Dividends	**1.1**	3.0
Tax paid	**2.1**	-
Other cash and non-cash movements	**(0.4)**	0.4
Closing net debt(1)	**71.2**	**70.9**

Note: (1) There are minor differences on some totals due to roundings

With the increase in RCF limit, the margin payable on the RCF was increased by 0.15%. The weighted average cost of debt, using 31 December 2020 balances and rates, was 2.94% with a 0.9% non-utilisation fee on undrawn RCF balances (2019: 3.1% with a 0.8% non-utilisation fee on undrawn RCF balances).

The Group's hedging strategy is to have roughly half its debt at a fixed rate and half exposed to floating rates. The Group currently has a £45m fixed rate interest swap at an all-in cost of 1.2% (including fees) on top of the existing margin paid under the RCF. The interest rate swap is hedge accounted with any unrealised movements going through reserves to the extent that the hedge is effective.

As at 31 December 2020, the Group's net LTV was 11.5% (2019: 12.1%). If gearing is just assessed against the value of the core income portfolio, this equates to a net loan to core income portfolio value of 28.7% (2019: 35.3%). As at 31 December 2020, the portfolio could withstand a substantial fall in asset values before reaching the tightest LTV covenant and the Group's projected interest cover ratios could withstand a downside scenario of a material loss of rental income before reaching the relevant covenant.

Outlook

The expertise of our team in creating value and great places combined with the diversification of our portfolio across the residential and industrial sectors has stood us well and Harworth has continued to deliver positive returns for shareholders throughout an exceptional year. The fundamentals of our business remain in good shape and, with the financial resources available to us as at 31 December 2020, we are well placed to continue to bring forward our sites, grow our business and take advantage of opportunities in the residential and logistics markets.

Kitty Patmore
Chief Financial Officer
22 April 2021

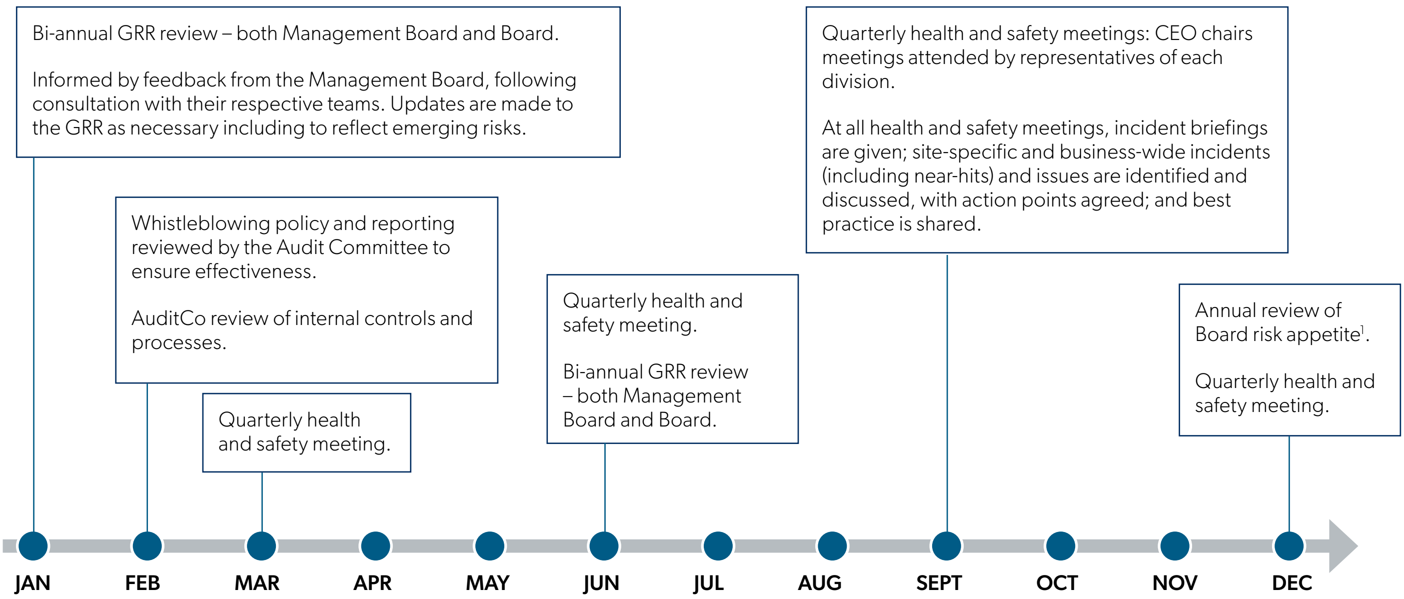
Effectively managing our risks

The Board has ultimate 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 manage risk effectively.

The Board recognises 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, it is prepared to accept. The Board also recognises that the Group's insurance programme plays an important part in reducing the impact of certain inherent risks which are neither acceptable nor capable of removal.

The Group Risk Register (GRR) remains the principal tool used by the Board and Management Board to monitor the risk profile of the business and the measures in place at an operational level for mitigating and managing risk. It forms part of a wider framework pursuant to which risks are monitored and managed throughout the year, as captured below.

Risk review framework: annual cycle



Our Estates, Environment and Safety team maintains a site risk register through which we continuously monitor the risk status of each of our sites. Sites are inspected throughout the year and material changes in their risk status are reported to the Management Board and Board on a monthly basis.

The GRR is a "living" management tool used throughout the year. All members of the Management Board consult regularly with their teams about, and feed-back on, existing and new operational risks, and the effectiveness of risk management measures.

The Management Board has ultimate responsibility on a day-to-day basis for: the Group's risk profile; the implementation of, and adherence to, risk management controls and procedures; and monitoring the continued effectiveness of the same.

1 Review undertaken in December and reported to Board in January

The GRR maps the risk profile of the business. It is a dynamic document and remains subject to continuous review and evolution. The GRR currently identifies risks grouped into nine categories: **Markets; Delivery; Politics; Finance; People; Environment; Social; Governance;** and **Legal and Regulatory**. Risks are scored from "very low" to "very high", according to residual risk status (after accounting for mitigation measures already in place) and materiality. Categories and risks remain subject to regular review. The Board's objective is to maintain, as far as possible, an alignment between its risk appetite and the risk profile of the business.

During 2021 we are reviewing our risk management systems to ensure that they evolve with the continuing growth of the business. This will likely lead to some changes at an operational and Board level including to the way we monitor risk profile and management and to our framework of internal controls and assurance. Once implemented, these changes will be explained in the 2021 Annual Report.

Principal risks and uncertainties

Within our 2019 Annual Report, we presented the risk profile of the business both on a "business as usual" basis and with a "COVID-19" overlay. Ahead of publication of this report, the Directors have carried out a robust assessment of the Company's principal and emerging risks. Given its prolonged impact, our GRR now reflects risk on a COVID-19 basis only. As would be expected, the materially higher risk environment attributable to COVID-19 is reflected in a higher than normal risk profile across some of our principal risk categories.

Changes in the status of our principal risks

Our principal Markets risks have returned to a "medium" risk status, reflecting underlying strength in our core industrial and residential markets, albeit the latter is expected to increase in risk as we head towards the end of 2021. There have been reductions across our Finance risk category including our capital, income and cashflow risks, reflecting strong 2020 financial performance and metrics, and our valuations risk, now that material uncertainty clauses have been dropped and we have transaction evidence from the second half of 2020. However, our insurance risk has increased reflecting a very challenging 2021 renewal. In our People risk category, our resourcing risk has increased to a "high" risk status, reflecting resource stretch due to COVID-19 in the short-term and the growth trajectory of the business. However, our employee engagement and culture risks have reduced thanks to extensive work undertaken to promote internal communication, employee engagement and wellbeing. In our Social risk category, sustainability risk has increased, reflecting the growing impact of the climate change agenda on the business (as opposed to the impact of climate change itself which is measured in our Environment risk category).

A detailed analysis of our principal risk categories is set out on the following pages.

Sky House at Waverley

Dashboard

(key shown on opposite page)

Markets			
M1. Commercial property market	↓	🔵	→
M2. Residential property market	↓	🔵	↑
M3. Energy market	→	⚪	→
M4. Adaptation of strategy	↓	🔵	↑

Delivery			
D5. Acquisitions	→	🟣	→
D6. Planning	→	🟣	→
D7. Project delivery	→	🟣	→
D8. Other operational shortfalls	→	🔵	→
D9. Mining legacy	→	🔵	→

Politics			
P10. Planning policy changes	→	🔵	→
P11. Other policy changes	↓	🔵	→

Finance			
F12. Availability of capital	↓	🟣	→
F13. Income	↓	🟣	→
F14. Cashflow	↓	🔵	→
F15. Valuations	↓	🔵	→
F16. Insurance	↑	🟣	→

People			
PP17. Resourcing	↑	🟣	→
PP18. Succession planning	→	🔵	→
PP19. Employee engagement	↓	🔵	→
PP20. Communication and connectivity	↓	🔵	→
PP21. Diversity	→	🔵	→
PP22. Culture	↓	🔵	→

Environment			
E23. Environmental incident	→	🔵	→
E24. Harworth's environmental impact	→	⚪	→
E25. Climate change	→	⚪	→

Social			
S26. Purpose	→	🔵	→
S27. Sustainability	↑	🟣	→
S28. Communities and stakeholders	→	🔵	→

Governance			
G29. Investors	→	🟣	→
G30. Internal controls and processes	↓	🔵	→
G31. Joint ventures	↓	🔵	→
G32. Cyber and information security	→	🔵	→
G33. Business continuity	→	🔵	→

Legal and Regulatory			
LR34. Health and safety incident	→	🔵	→
LR35. Other regulatory breach	→	⚪	→
LR36. Legislative and regulatory changes	→	⚪	→

M1. Adverse movements in commercial property market	PP19. Inadequate employee engagement
M2. Adverse movements in residential property market	PP20. Deficiencies in internal communications
M3. Adverse movements in energy market	PP21. Failure to address diversity challenge
M4. Failure to adapt strategy to reflect market changes	PP22. Failure to promote positive and consistent culture
D5. Inability to source new strategic sites	E23. Environmental incident
D6. Adverse planning decisions	E24. Failure to manage effectively Harworth's environmental impact
D7. Increase in development costs due to market-wide cost increases	E25. Failure to plan for and respond to climate change
D8. Other operational shortfalls	S26. Failure to deliver on our Purpose
D9. Legacy mining issues result in adverse remediation costs	S27. Impact of climate change agenda and/or failure to deliver sustainable projects
P10. Adverse changes to national planning framework	S28. Ineffective engagement with local communities and other stakeholders
P11. Adverse changes to other national and/or regional policies	G29. Failure to communicate and engage effectively with investors
F12. Capital constraints	G30. Inadequacies in or ineffective internal controls and processes
F13. Shortfalls in income	G31. Inadequate governance of joint ventures
F14. Failure to budget and/or manage cashflow	G32. Failure to provide effectively for cyber and information security
F15. Deficiencies in valuations process	G33. Failure to plan for significant adverse events
F16. Gaps in or increased costs of insurance programme	LR34. A health and safety incident
PP17. Insufficient people resourcing	LR35. Other regulatory breach
PP18. Inadequate succession planning	LR36. Adverse legislative, regulatory and/or licensing changes

KEY							
Change in rating during last six months		Risk rating after mitigation	Forecast change in rating during next six months		Link to strategy	
→	Risk has not changed	○ Very low	→	Risk forecast to remain unchanged		Development
↓	Risk has decreased	● Low	↓	Risk forecast to decrease		Investment
↑	Risk has increased	● Medium	↑	Risk forecast to increase		Regions
		● High				Sectors
		● Very high				Prudent financial approach

Detailed review

Markets

Markets				
Commercial property market	↓	●	→	
Residential property market	↓	●	↑	
Energy market	→	●	→	
Adaptation of strategy	↓	●	↑	

Stakeholder groups impacted

Investors, suppliers, customers, advisers, joint venture partners, our people

Risk profile

Despite the severe downturn and turbulence in the macro-economic climate, largely attributable to COVID-19, industrial property market evidence shows resilience and even strength. Both house prices and housing sales volumes have remained strong nationally including on our sites. There remains political support for our core markets, and the agreement reached between the UK and the EU prior to the end of the Brexit transition period affords some stability. This is reflected in our principal Markets risks returning to a "medium" risk status. However, demand in the housing market is being positively affected in the short-term by the Government's stamp duty holiday and the introduction of the Mortgage Guarantee Scheme. Whilst the stamp duty holiday has now been extended to the end of June and will then taper off until the end of September, the housing market may soften as those deadlines approach. There are also concerns about the outlook for employment over the medium-term, notwithstanding recent budget initiatives, and this might adversely affect the market for residential development land. Given this, we expect the residential property market risk to increase in the second half of FYE'21.

Examples of mitigation measures taken during 2020

- We continued to broaden our search for acquisitions and footprint of projects.
- We continued to explore alternative residential tenure delivery models.
- The profile of our strategic land acquisitions was weighted towards commercial projects, helping towards rebalancing of our portfolio.
- Regular property market updates were commissioned.

Examples of mitigation measures planned in 2021

- The business review will include horizon scanning of existing and potential new markets, products and projects at a Group and regional level, and a review of the balance of residential and commercial sites.
- Close monitoring of market dynamics.
- Energy sector initiatives across the portfolio.

Delivery

Delivery				
Acquisitions	→	●	→	
Planning	→	●	→	
Project delivery	→	●	→	
Other operational shortfalls	→	●	→	
Mining legacy	→	●	→	

Stakeholder groups impacted

Investors, suppliers, customers, advisers, regulatory bodies, our people, communities

Risk profile

The UK remains a highly competitive landscape for strategic land and investment property acquisitions, with limited COVID-19 distress reflected in pricing in our core markets to date. Despite a strong pipeline, this is reflected in a "high" acquisitions risk status. Some local authorities have slowed progress on their local plans pending progress and clarity on central Government planning reforms, which could affect our short-term pipeline of planning applications. That said, at the time of publishing this report, it appears that local and mayoral elections will go ahead which may assist with local political stability. Overall, we have retained a "high" risk status for our planning risk. Our project delivery risk also retains a "high" risk status, reflecting concerns about supply chain pressures attributable to multiple factors, including COVID-19, the impact of major infrastructure projects such as HS2 on materials, the recognised skills shortage within the construction industry, and the increased cost of insurance. Our other Delivery category risks remain unchanged, both carrying a "medium" risk status.

Examples of mitigation measures taken during 2020

- Local political stakeholder mapping was undertaken and advisers were appointed.
- Standardisation of our financial modelling for acquisitions.
- The Harworth Common Platform of resources was rolled out.
- PPA target parameters were agreed.

Examples of mitigation measures planned in 2021

- The business review will include a review of Group and regional acquisition strategies.
- Further work will be undertaken on financial modelling for acquisitions.
- We will continue to promote consistency in procurement, led by our Central Services team, particularly as we broaden our supply chain.
- Sales of more surplus land will further reduce our mining legacy.

Politics

Politics				
Planning policy changes	→	●	→	
Other policy changes	↓	●	→	

Stakeholder groups impacted

Investors, advisers, joint venture parties, our people, Government, communities

Risk profile

Whilst the macro-political backdrop and local political climate are reflected in our Markets and Delivery risk categories, our Politics category risks are informed by changes in central Government policy. Overall, political risks remain largely unchanged with some increases in risk, such as the growing prospect of some form of tax on development, being offset by positive movement, such as on levelling up, regional devolution and infrastructure investment.

Examples of mitigation measures taken during 2020

- Bio-diversity pilot schemes were appraised.
- Public funding applications were progressed, linked to regional devolution.

Examples of mitigation measures planned in 2021

- The business review will continue to appraise alternative housing models. A modular homes initiative is being explored.
- We will continue to progress funding for a new railway station at Waverley, which has now been allocated to Sheffield City Region via the National Infrastructure Fund.
- Ongoing negotiation with HS2 Ltd on our compensation claim for Gateway 45 Leeds.
- Business cases will be worked up with LEPs to secure Government funding support via the 'Levelling Up Fund'.
- Engagement with central Government and Transport for the North on rail freight use at certain sites.

Finance

Finance				
Availability of capital	↓	●	→	
Income	↓	●	→	
Cashflow	↓	●	→	
Valuations	↓	●	→	
Insurance	↑	●	→	

Stakeholder groups impacted

Investors, suppliers, funders, advisers, our people

Risk profile

There have been reductions in our capital, income and cashflow risks, reflecting strong financial performance and metrics in 2020 including our net debt position and the corresponding headroom in our RCF, rent collections, sales and deferred consideration payments, and investment property acquisitions, offset to some extent by higher insurance and headcount costs. That said, our capital and income risks continue to carry "high" risk scores. This reflects persistent economic uncertainty and that expanding our capital sources and increasing the breadth and resilience of our income portfolio, in both cases to support the growth of the business, remain strategic priorities. Our valuations risk, which monitors the risk of deficiencies in the valuation process, has reduced now that material uncertainty clauses have been dropped and we have transaction evidence from the second half of 2020. The insurance risk has been increased to a "high" risk status, reflecting a very challenging 2021 renewal, resulting in markedly higher pricing, material increases in excesses on certain sites and some deterioration in the scope of certain aspects of cover.

Examples of mitigation measures taken during 2020

- A £30m increase in our RCF.
- Tight capital management during the early COVID-19 period including strong rent collections.
- Acquisitions of investment properties in Brierley Hill and Knowsley and direct development at AMP and Logistics North.
- The appointment of a Partnerships Manager to support public funding applications.
- The appointment of a Head of Income and additional Business Space resource.
- The appointment of a new insurance broker and extensive re-marketing of our insurance programme ahead of the 2021 renewal.

Examples of mitigation measures planned in 2021

- Planned programme of direct development.
- Continued "churn" of investment property portfolio to further increase recurring income.
- Long-term and temporary income opportunities will continue to form a key element of Major Development site strategies.
- Proactive asset management will continue across the Business Space and Natural Resources investment portfolio, including on rent collections, new lettings and lease re-gears.
- Risk management and mitigation measures to be implemented across the portfolio ahead of the 2022 insurance renewal with a focus on sites perceived by insurers as high risk.

People

People				
Resourcing	↑	●	→	
Succession planning	→	●	→	
Employee engagement	↓	●	→	
Communication and connectivity	↓	●	→	
Diversity	→	●	→	
Culture	↓	●	→	

Stakeholder groups impacted

Our people

Risk profile

Our resourcing risk has increased to a "high" risk status, reflecting resource stretch due to COVID-19 in the short-term and the growth trajectory of the business. Short-term measures have been, and continue to be, implemented to mitigate the COVID-19 impact whilst longer-term measures will take time to bear fruit. Our other People risks have either remained unchanged or reduced, reflecting the extensive work undertaken to promote internal communication, employee engagement and wellbeing, all of which have been impactful and well received, demonstrated by the positive results from our most recent employee survey.

Examples of mitigation measures taken during 2020

- See the People section of this report (pages 58 to 63) for the measures we have implemented during 2020 including to look after the health and wellbeing of our people, to embed the Harworth Values into the business, to promote diversity, and on engagement and communication, recruitment, succession, reward and talent development.

Examples of mitigation measures planned in 2021

- The business review will cover organisation design, systems and resources.
- We will continue progress on recruitment for replacement and new roles. Regular reviews of resourcing will be undertaken which may lead to outsourcing of workstreams and/or appointment of additional interim support where needed to overcome short-term capacity pressures.
- Further work on personal development plans for certain employees.
- Employee engagement initiatives will continue and, where they have been curtailed by COVID-19, they will be revived when restrictions are lifted.
- The People Steering Group will lead reviews of 'How we want to work' post COVID-19 and of what more can be done to promote all forms of diversity across the business.

Environment

Environment				
Environmental incident	→	●	→	
Harworth's environmental impact	→	●	→	
Climate change	→	●	→	

Stakeholder groups impacted

Investors, advisers, regulatory bodies, our people, communities

Risk profile

Our environmental risks remain largely unchanged. The risk of an environmental incident continues to carry a "medium" risk profile. Whilst the prospect is considered unlikely the impact of an incident could be material. As such, given the nature of the business, the profile of this risk is unlikely to reduce further. Environmental impact and climate change continue to have "low" risk scores, reflecting that, overall, Harworth's projects have a positive environmental impact and that the physical impacts of climate change, predominantly flooding, are limited at this stage. The impact of the climate change agenda on the business is more marked but this is reflected within the sustainability risk below.

Examples of mitigation measures taken during 2020

- We continued to operate a "re-use and re-cycle" approach to site remediation to minimise off site waste and importation of virgin materials.
- We continued to factor climate change guidance into remediation and infrastructure design.
- We undertook a review of, and implemented improvements to, our internal controls and assurance in respect of permitted activities undertaken by tenants.

Examples of mitigation measures planned in 2021

- We will continue our collaborative engagement with the Environment Agency.
- We will maintain a proactive approach to flood management.
- We will maintain our strong performance in recycling materials during the land remediation process.

Social

Social				
Purpose	→	●	→	
Sustainability	↑	●	→	
Communities and stakeholders	→	●	→	

Stakeholder groups impacted

All

Risk profile

Our sustainability risk has increased to a "high" risk status reflecting the current and anticipated impact of the climate change agenda on the business (as opposed to the currently low impact of climate change itself which is measured in our Environment risk category) including on project delivery and costs, investor expectations, planning obligations, market demand and, ultimately, valuations. The status of our other Social risks remains unchanged.

Examples of mitigation measures taken during 2020

- An evolution in our articulation of "the Harworth Way" in investor materials.
- The format of our Board and Investment Committee project appraisals has been updated to promote analysis and debate as to the alignment of new projects with our Purpose and the Harworth Way and their impact on stakeholders.
- See the Partners section of this report (pages 64 to 67) for the ways we engaged with our stakeholders and had regard for their interests during 2020.
- We have made some progress with our funding bids for innovative transport measures, health and wellbeing and 5G provision at new developments. We have continued to promote certain of our sites for rail freight use.

Examples of mitigation measures planned in 2021

- Establish an ESG Committee of the Board.
- We will further evolve our reporting on ESG matters including the identification of KPIs and external benchmarks against which we will measure our performance.
- Working with external suppliers, we will continue to review utility and energy delivery strategies for our major developments.
- We will continue to explore and promote environmental initiatives which align with the zero-carbon agenda, such as rail freight sites, bio-diversity offsetting and solar panel retrofit of our existing investment portfolio.

Governance

Governance				
Investors	→	●	→	
Internal controls and processes	↓	●	→	
Joint ventures	↓	●	→	
Cyber and information security	→	●	→	
Business continuity	→	●	→	

Stakeholder groups impacted

Investors, advisers, regulatory bodies, our people, joint ventures

Risk profile

The status of our Governance risks remains unchanged. Our investors risk retains a "high" risk status, reflecting the share price discount to EPRA NDV which has narrowed but persists. Our other Governance category risks continue to carry a "medium" risk status.

Examples of mitigation measures taken during 2020

- Virtual engagement with investors has been maintained throughout the COVID-19 period. Lynda Shillaw has now met with our largest shareholders.
- Upgrades to our finance platform including automation of our purchase order and invoice payment systems.
- A comprehensive review of our risk management and internal controls systems is underway which will lead to further improvements being made.
- Our Delegated Authorities Policy has been updated and re-profiled across the business.
- Continued improvements in data management.
- KPMG undertook a review of our COVID-19 remote working measures.
- Our annual cyber penetration test has been undertaken and IT system vulnerability scanning has been implemented.
- A consistent approach to joint venture governance has been implemented, overseen by our recently appointed Company Secretarial Assistant.

Examples of mitigation measures planned in 2021

- We will continue to work with our brokers to maintain regular news flow via RNS/RNS Reach and our engagement with existing and prospective investors.
- Maintenance and evolution of cyber and information security measures.
- The review of our risk management and internal controls systems will be completed.
- Desktop tests of our Business Continuity and IT Disaster Recovery plans are scheduled.

Legal and Regulatory

Legal and regulatory				
Health and safety incident	→	●	→	
Other regulatory breach	→	●	→	
Legislative and regulatory changes	→	●	→	

Stakeholder groups impacted

Suppliers, advisers, our people, regulatory bodies

Risk profile

There have been no material movements to the risks in this category, which have all maintained a "medium" or "low" risk rating.

Examples of mitigation measures taken during 2020

- At the outset of COVID-19 we undertook a review of the risk status of every site (accounting for reduced activity on certain sites) which informed our inspection regime.
- We expanded our panel of health and safety consultants.
- We implemented measures to ensure compliance with IR35 and payment practices reporting.
- We maintained our online health and safety training programme for all employees.
- The Company Secretary continued to inform the Board and wider business of applicable legislative and regulatory changes.

Examples of mitigation measures planned in 2021

- We will host our biennial Group-wide Health and Safety Day, in person if possible but virtually if not, supplemented by ongoing online training.
- We will review the effectiveness of our new health and safety consultant panel arrangements.

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 going concern period required by the Going Concern Statement (see the Statement of Directors' Responsibilities at page 136).

The Board conducted a review for a period of five years ending 31 December 2025. 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 purpose is the long-term transformation of land and property into sustainable places where people want to live and work. The focus on both Development and Investment in the Group's Strategy means that it has a diversified portfolio of income-producing properties within the industrial, logistics and natural resources sectors which provides a regular income stream to cover the operating costs of the business and interest due under the financing facilities. Major development sites could be active with phases of development combining to be fifteen years or more and plans for sites can be adapted to the market conditions at the time. The Group's strategic plan has been prepared in the context of the Strategy and its principal income streams, which are:

- sales of residential and commercial serviced land, for which there are plans reaching out to 2025;
- rental income from income-producing industrial properties which, at 31 December 2020, had a vacancy rate of 4.5%, a weighted-average lease length of 12.5 years and a rent collection of 96%; 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 provide regular cost cover. 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 to advance sites at an earlier stage (masterplanning and planning promotion) whilst waiting for the commercial and residential property markets to return. The regional residential market has a fundamental insufficient supply of housing and has seen robust demand through the second half of 2020. The Group's strategic shift over the last few years to expand teams into the Midlands and North-West balances the exposure to any one region.

Net debt at year end of £71.2m represented a 11.5% net loan to portfolio value. The Group's senior debt facility, being the Revolving Credit Facility, does not mature until 2023 and is assumed to be refinanced in 2022.

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. To determine those risks, the Directors assessed the principal risks and uncertainties. The principal risks and uncertainties 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, Delivery, Finance, Politics and People categories of risk identified in the Effectively managing our risks section of this Report on pages 34 to 39.

Assessment of long-term prospects and sensitivities applied

The five-year strategic plan review focuses on the expected growth of the business primarily in terms of EPRA NDV 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 forecast both individually and in unison.

The key risks and the scenarios considered as part of the sensitivity analysis are set out below. Throughout the strategic plan, the Group continues to transform land and property into sustainable places where people want to live and work. Whilst under the sensitivity analysis, EPRA NDV growth including 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 & Further Analysis
Markets	• A severe but temporary downturn in the residential market would result in lower land sales and values. • Notwithstanding strong rent collection to date in line with previous quarters, 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, spend on new land and property acquisitions could be restricted.	• Harworth invests to deliver long-term growth and many of the sites have timeframes that extend beyond the strategic plan period. • The portfolio provides a spread of sites across the three core regions and properties are diversified across the residential and industrial sectors, both of which have strong underlying demand fundamentals. This helps to mitigate the impact of market movements. • The Group works closely with tenants in the Income Generation portfolio on payment terms that support both parties to continue to actively manage rent collection. • Development spend can be reduced and rephased to match more closely market demand and conserve cash. • Strategic plans for sites can be revisited and funding sources expanded if recovery is delayed further. Rephasing the major development sites and revisiting cost plans will help to mitigate valuation movements. • Based on the existing portfolio alone, the pipeline comprises c.27m sq. ft commercial space and c.30,000 new homes. In addition, a market downturn could provide buying opportunities for the local teams in our core regions.
Finance	• 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.	• There are no major refinancing deadlines ahead of when the RCF expires in 2023 and a refinance is assumed ahead of that. • Reduced activity on sites as set out above would reduce development spend and conserve cash resources. • The spread of sites in different regions, and an industrial property income portfolio combined with tenants split in size and end sector, diversifies exposure. The Group will continue to implement its strategy to actively manage the Income Generation portfolio. • 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 is projected to remain in covenants throughout.
Other risks including Delivery, Politics and People	• A future change in the political environment could lower support for infrastructure in the Group's key regions. • Planning committees are currently operating well on a remote basis but delays or refusals in planning approvals could impact on progress on sites and EPRA NDV growth. • People resources needed to deliver the strategic plan may not be available.	• The Group has a strong track record in working effectively with local planning authorities to secure planning and continues to work on a council-by-council basis to reduce any potential delays in the consideration and determination of applications. • The Group has maintained activity across many of the sites over 2020 with the Company and contractors adhering strictly to all government guidelines on social distancing and safe working practices during this period. • There are high levels of employee satisfaction within the business as reported on page 61 with new employees joining over 2020.

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.

CASE STUDY 1: RIVERDALE PARK, DONCASTER

The closure of McCormick's Wheatley Hall Road Tractor Factory in 2007 marked the end of sixty years of farm machinery production on this large site close to Doncaster town centre, and fronting the River Don. Since 2017 Harworth has been working to regenerate the site into a new mixed used development that will bring jobs and homes to the local area.

The site for the Riverdale Park regeneration project was acquired by Harworth in 2015. A mile from Doncaster town centre and a former tractor factory site with a long history of former industrial use, the 112-acre site was bought by Harworth as brownfield land for regeneration and taken forwards through the master planning process. Once complete, it will create a mixed-use scheme with residential, retail and employment alongside the riverbank and Wheatley Hall Road.

Harworth initially secured planning in 2016 for 600 new homes, 215,000 sq. ft of commercial space, and 65,000 sq. ft of community facilities to be built out by 2026. The masterplan delivers a mixed use community benefitting from its proximity to all of the facilities and public transport connections in the town centre to provide a sustainable new neighbourhood in Doncaster.

Following acquisition, Harworth demolished all existing structures on site and commenced a programme of extensive remediation and earthworks. Infrastructure and utilities were put into place and the first commercial serviced land sale was made in 2018.

In 2019, fully-serviced land was sold to Barratt Homes and Taylor Wimpey who will each build 191 and 188 family homes respectively: over 50 new homes have already been built and are occupied. In the last year, we completed the direct development of a Costa Coffee drive-thru unit on one of the commercial plots and sold the adjacent plot to Erindale who are constructing a Burger King, which is expected to open this Spring.

Harworth has continued to invest in new infrastructure, including the construction of new estate roads, services and a new sustainable urban drainage system.

When the site is completed, expected to be in 2026, as well as the 600 new homes on site, it is forecast that 800 new jobs will also be created. This will add an annualised estimated £50m GVA to the local economy, clearly demonstrating the benefit of delivering a sustainable mixed use community.

Intended development timeframe:	2017 – 2026
History of site:	Former McCormick Tractor factory site
Intended development on completion:	600 homes, 215,000 sq.ft of new commercial space, and 65,000 sq. ft of community facilities
Built Development so far:	Over 50 homes and 1,800 sq. ft of commercial space
Community Infrastructure delivered:	New estate roads and drainage system
Next phase of development:	Further remediation of the site to deliver additional residential phases and commercial land sales, and public open spaces

The Harworth Way:

Communities

We build, create and curate new communities now and for future generations.

Harworth is one of the largest property and regeneration companies operating across the North of England and the Midlands. Our core skills lie in transforming land, which is often brownfield sites requiring extensive remediation, into new developments, creating communities of lasting economic and social value. We work with partners, including local communities as well as public agencies and developers, to create great places where people want to live and work: we call this 'placemaking'.

The positive economic and social effects of our developments

The developments that we have brought forward over the nine years that Harworth has been master developing its sites have already delivered very significant economic and social benefit to the areas in which they are located, and to the broader economy as a whole. We expect these benefits to continue to grow as we expand our portfolio and our development activity. We currently have 110 sites which are distributed across 43 Local Authority areas and 14 Local Enterprise Partnership (LEP) areas in the North and Midlands.

As in previous years, we commissioned ekosgen, an independent economic research consultancy, to appraise what we have already delivered, and what we could deliver in the future from our developments with a focus on jobs created, homes built and the GVA each site has already generated or could potentially generate in the future.

What we have already delivered

Over the past nine years, delivery has started, and in some cases finished, across a wide range of commercial and housing developments. Specifically:

- 21 employment sites across nine LEPs and 17 Local Authorities have been fully or partly developed to date, creating around 704,900m^2 of employment space, an increase of 3% during the year. This space already accommodates over 11,700 Full-Time Equivalent (FTE) jobs, generating an estimated £665m of GVA per annum.
- Two of our largest strategic sites, Logistics North in Bolton and the AMP in Rotherham account for over 60% of the new employment space developed to date and both still have significant room for further expansion as they are each only between 70-80% complete.
- Both developments demonstrate how our sites can attract both existing businesses and new commercial enterprises which want to expand in high quality commercial and industrial locations. Occupiers of the AMP already include highly innovative businesses such as: McLaren Automotive, Rolls-Royce and the UK Atomic Energy Authority, which opened its new fusion energy research facility at the end of 2020. Occupiers at Logistics North include: Whistl, Amazon, Aldi, Lidl, and Komatsu.
- Housing has been delivered, in full or in part, on 12 sites to date, providing just over 2,750 new homes – an increase of over 400 homes over the past year. The new homes that have already been delivered are estimated to generate £4.2m of annualised council tax receipts.
- The largest of our residential sites, Waverley New Community, accounts for 36% of the new homes delivered on our sites so far and with only just over a quarter of its consented plots built to date, the site continues to offer very significant development potential.

Our developments have already made significant contributions to the ongoing regional regeneration of the North and Midlands and to the Government's 'levelling up' agenda, but we believe that there is much more to come as we continue to develop our sites and acquire more in the future.

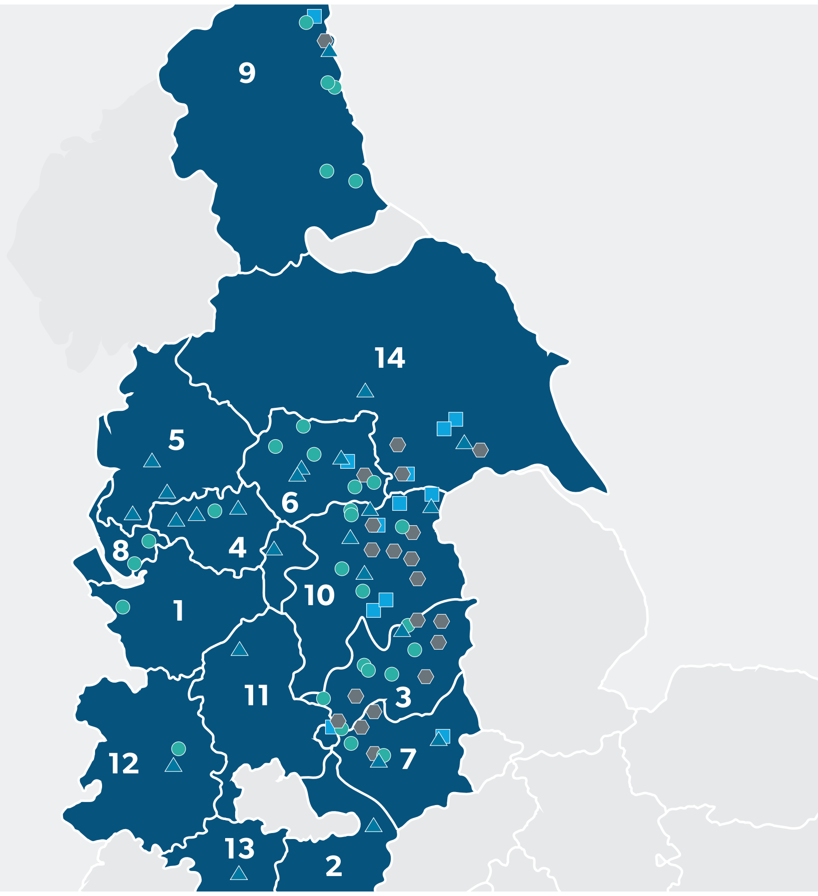
What we could deliver in the future

Locations of Harworth Sites by Development Type

Key:
- Housing
- Energy
- Employment
- Mixed
- LEP areas with Harworth Sites

Local Enterprise Partnership Key:
1. Cheshire and Warrington
2. Coventry and Warwickshire
3. D2N2
4. Greater Manchester
5. Lancashire
6. Leeds City Region
7. Leicester and Leicestershire
8. Liverpool City Region
9. North Eastern
10. Sheffield City Region
11. Stoke and Staffordshire
12. The Marches
13. Worcestershire
14. York, North Yorkshire and East Ridings

Source: ekosgen



When fully built out and occupied, ekosgen estimate that the current Harworth site portfolio as shown above, has the potential to accommodate:

74,620 jobs

GENERATING

£3.9bn of GVA per annum

As well as significant levels of business rates income

36,110 new homes

SUPPORTING

Between £24m - £54m per annum

in council tax receipts[1]

(1) The range of council tax receipts reflects the current number of approved plots and the maximum if all plots are approved

Supporting deprived communities

Harworth is investing and delivering development in some of the most deprived parts of the country, where levels of both employment and residential development have typically been well below average. As can be seen in the table below:

- Almost three fifths (57%) of the Group's sites fall within the 50% most deprived areas of Great Britain. This includes some of the Group's largest sites, with 62% of commercial floorspace located in these areas.
- Almost 47,900 jobs (64% of the total employment potential of our sites) could be accommodated in the 50% most deprived areas, generating £2.5bn of GVA per annum. Over 30% of these jobs (14,600) could be delivered on sites located in the 20% most deprived areas. These include a mix of both full and part-time jobs, both of which have important roles to play in supporting local residents into employment and addressing deprivation.
- There are 16,850 potential new homes (47% of the Group's total housing plots) located in the 50% most deprived areas, and almost half of these potential new homes (8,010) are located in the 20% most deprived areas. The large housing sites in these areas include Simpson Park at Bassetlaw (1,610 plots), Pheasant Hill Park in Doncaster (1,600 plots), Raikes Hall in Bradford (1,260 plots) and Hale Gate Road in Halton (1,070 plots).

Harworth's Development in Deprived Areas – Portfolio versus Indices of Multiple Deprivation

Deprivation Decile	Commercial Floorspace (m^2)		Total Jobs		New Homes	
	Percent	No.	Percent	No.	Percent	No.
10% most deprived	18%	629,410	18%	13,300	7%	2,560
20% most deprived	20%	679,850	20%	14,600	22%	8,010
30% most deprived	29%	1,005,190	28%	20,940	31%	11,350
40% most deprived	37%	1,298,900	37%	27,840	37%	13,250
50% most deprived	62%	2,160,450	64%	47,890	47%	16,850

All totals rounded. Indices of multiple deprivation, England 2019, Scotland 2020 & Wales 2019

Some of our most developed sites have seen the deprivation ranking of their local area improve greatly over the last few years. Although this will clearly not be solely due to our investment, we believe that it is likely to have played an important role in helping to regenerate the wider area. These include: the areas around the Waverley New Community and AMP, Melton Commercial Park and Etherow Business Park sites. Given the significant scale of development delivered and deprivation improvements at Waverley New Community and the AMP, these could be viewed as key examples of how investment can contribute to the Government's rebalancing and levelling up agenda for Northern England.

The Advanced Manufacturing Park at Waverley


Prince of Wales, Pontefract

Societal benefits through our Master Developer role

As well as the positive local economic impact we generate from our developments, as Master Developer we work very closely with communities, not just through development phases, but on an ongoing basis to co-create, shape and curate the communities that our sites have created. These can vary from small, one-off projects to long-term schemes and projects to improve the lives of those who live and work on or near our sites. Some examples of activity undertaken during 2020 are described below:

Long-term habitat restoration at Sherwood Forest

Work to restore an area of traditional lowland heathland habitat at Nottinghamshire Wildlife Trust's, Rainworth Heath SSSI Reserve started in 2020. Rainworth Heath is of one of the last fragments of Sherwood Forest Heathland and for many years the Trust had wanted to restore the site of an old farmstead within the nature reserve to heathland, but had struggled due to the level of nutrient enrichment in the soils. With funding available through the Miner2Major Landscape Partnership Scheme backed by the Lottery Heritage Fund, the scheme, which is managed by Nottinghamshire County Council, brings together a range of partners to deliver habitat and heritage projects across the Sherwood Forest landscape.

Having previously worked closely with the Nottinghamshire Wildlife Trust to restore heathland on the site of the neighbouring former Rufford Colliery and on the regeneration of the former Thoresby Colliery site, Harworth had the machinery and the expertise to carry out the work to strip the soil sensitively and effectively, while minimising the disturbance to wildlife. Following careful checks for breeding birds and reptiles, the soil was stripped ready for the Trust to sow an acid grassland seed mix which will act as a nurse crop for heather over the next couple of years.

5G Innovation Hub and the Connected Forest Project

Led by Nottinghamshire County Council (NCC), Harworth is a project partner delivering the 5G Innovation Hub at Thoresby Vale. Once built, it will be leased to the Council and used to accommodate office space for specific 5G related research projects undertaken by Birmingham City University and Nottingham Trent University. We are also delivering the essential infrastructure to support autonomous vehicle provision connecting Thoresby Vale with Sherwood Forest Visitors Centre.

In addition, we are partnering NCC with their 5G Connected Forest project: centred around the ancient Sherwood Forest, its focus will be to explore the potential for 5G applications in the preservation of forests and their environment, and to enhance the experience of visitors to the forest and the surrounding area. From robotic environmental management and non-intrusive live monitoring of the health of a forest, to live Augmented Reality (AR) and Virtual Reality (VR) experiences for visitors of all ages, the 5G project will also investigate business models that can enable operators to boost rural connectivity and create innovative applications with the potential for commercial development. Harworth is proud to be involved, along with our other partners, with this initiative led by NCC.

Active Towns Programme at Waverley

In 2017, we first established an innovative partnership with Sheffield Hallam University, in which a team of experts and academics with Health and Sports backgrounds are working collaboratively with Harworth to construct an 'active environment' prototype at our Waverley development.

The 'Active Towns' project has been designed to prioritise the views of local communities and to work on ideas that are put forward by residents and employees for using the site to encourage people to become more active and to lead a healthier lifestyle by using public open spaces. We have worked with the new and expanding community at Waverley to co-create the open and green spaces in innovative ways to maximise health and wellbeing for local residents. Additionally, AMP employees are keen to see the site become increasingly walker and cyclist-friendly. Following consultation with the local community we, in partnership with Sheffield Hallam University, have tested and pioneered a number of schemes to unlock the green spaces for maximum benefit. This has included widening the use of Waverley's existing 7km perimeter trails, as well as planning the future provision of facilities and access for cyclists which will facilitate and encourage environmentally beneficial connectivity between working and living for many people.

We are actively considering other projects across the portfolio to continue to develop more active environments for our communities.

North Star Science School

In December, we were proud to welcome particle physicist, Professor Brian Cox CBE, to Waverley for the northern leg of his Science Summer School, which was founded nine years ago through a partnership with the social entrepreneur, Lord Andrew Mawson. The initiative is led by Well Rotherham (part of leading social enterprise business, WellNorth). In addition to Harworth, other partners include: the University of Sheffield's Advanced Manufacturing Research Centre (AMRC), Rotherham and Sheffield Councils, and AMP-based employers, UK Atomic Energy Authority, Rolls-Royce and McLaren Automotive.

Due to COVID-19, the event was hosted virtually from Rotherham to an audience of 2,000 young people across Sheffield and Rotherham. Professor Cox delivered the keynote presentation: Space, Time and Black Holes, and the three-day streamed interactive programme included inspirational guests such as Dr Suzanne Imber, winner of BBC Astronauts and Associate Professor in Space Physics at the University of Leicester, the team from McLaren Automotive and Phill O'Dell, pilot of the Rolls-Royce zero emission Spirit of Innovation aircraft.

The North Star Science School shares the collective ethos that talent is everywhere and will succeed if the right way is found to inspire and nurture it. The annual Science Summer School is designed to encourage more young people to consider the many Science Technology, Engineering, Arts & Maths (STEAM) career options available.

Speaking about the North Star Science School, Professor Brian Cox CBE said:

"Home to the Advanced Manufacturing Park, this area has a key role to play in our aim of making the UK the best place in the word to do science. From pioneering the next generation of electric aircraft to leading the development of fusion energy for the UK, this region has a key role to play in engineering a sustainable future. We hope the initiative will inspire the next generation of scientists and engineers in the North of England and help them realise their full potential."

Supporting a wide range of charities

During 2020, we continued to support a range of community and charitable activities across the areas in which we work. In previous years our employees have committed time to a range of charitable activities and participated in a variety of sponsored events, although unfortunately in 2020 due to COVID-19 restrictions, many of these could not go ahead. In 2021 we have launched the new Harworth Charitable Giving Policy which will be reviewed regularly. It recognises the important and positive role that Harworth plays in the communities in which our colleagues live and work and, in particular, that the notion of 'giving something back' is fundamental to our ethos and values, especially in relation to partnerships. Collectively across our offices, we want to make a difference to local and national initiatives that are tackling everyday problems affecting our society. We believe that this will be best achieved through our new Charitable Giving Policy in a number of ways:

- Supporting charities nominated by our employees which are then reviewed by the People Steering Group (PSG). Each year the Senior Management Team will agree the sum to be allocated to this initiative.
- We are committed to matching financial outcomes of charity fundraising efforts that our people engage with, providing they meet the criteria guidelines and in 2021 we introduced a 'Matchfunding' commitment up to a maximum of £1,500 per application.
- Harworth also wishes to support non-financially driven activities such as volunteering or taking part in specific charitable projects. We encourage all employees to participate in the Company's commitment to 'giving something back' from a practical perspective. In 2021 we are offering paid volunteer days to all employees, which can be applied for and taken on an annual basis to allow volunteer work to be carried out during normal working hours.

Charitable giving and support in 2020

In 2020, alongside charitable donations made to employee-nominated charities, we continued to work with two national charities, LandAid and The Wildlife Trusts with whom we have an established partnership to provide both financial and in-kind support to help them deliver their programmes.

LANDAID

LandAid
THE PROPERTY INDUSTRY CHARITY

Established for over thirty years, LandAid brings the property industry together to support charities delivering life-changing services for young people who are or have been homeless, or are at risk of homelessness in the future. LandAid uses the donations and skills of its charity partners to provide accommodation and support for young people aged 16 - 25. LandAid is supported by many of our partners, including the British Property Foundation, Carter Jonas, Cushman & Wakefield, Jones Lang LaSalle, Savills, Knight Frank and the Royal Institute of Chartered Surveyors.

In 2020, we made a financial donation of £12,500 to LandAid as a corporate partner.

THE WILDLIFE TRUSTS

THE wildlife TRUSTS

The Wildlife Trusts are a collection of 46 independent regional trusts that cover the whole of the UK who look after more than 2,300 nature reserves and operate over 100 visitor and education centres. Collectively there are more than 850,000 members, 38,000 volunteers, 2,000 staff and 600 trustees. Each trust relies on financial donations, lottery contributions and volunteer support to continue its work.

In 2020, we made a financial donation to the Wildlife Trusts of £12,500 as a corporate partner. The Wildlife Trusts continued to work with us on a strategic basis to provide advice on wildlife projects at a number of our sites, including the 558-acre Country Park at Logistics North and Waverley's 340 acres of public open space.

CHRISTMAS DONATIONS

As we were unable to hold our annual Christmas party in 2020, **Harworth made donations of £15,000 supporting a range of good causes across the North of England and the Midlands.** Harworth's six main teams were each allocated £2,500 and they, in turn, nominated a range of individual charities:

MIDLANDS:

Our Midlands team donated
£2,500 to High Riders,
a Bewdley-based charity that provides horse riding activities for disabled children.

NORTH WEST:

Our North West team donated
£2,500 to the Greater Manchester Mayor's Charity,
run by volunteers, the Charity helps people in need of special care or support due to their circumstances, age, disability or risk of abuse or neglect.

YORKSHIRE & CENTRAL:

Our team elected to make two separate donations:
£1,250 to Sheffield Children's Hospital,
one of only three dedicated children's hospitals in the UK which provide integrated healthcare for children and young people.

£1,250 to PACES,
a Sheffield-based specialist centre, charity and school for children and adults with cerebral palsy and motor disorders.

INCOME GENERATION:

The Income Generation team donated
£2,500 to GAIN,
the only organisation in the UK dedicated to helping people affected by Guillain-Barré Syndrome and associated inflammatory neuropathies.

CENTRAL SERVICES:

Our Central Services team elected to make a
£1,250 donation to Bluebell Wood Children's Hospital in Rotherham
and a
£1,250 donation to Roundabout, South Yorkshire's local youth housing charity,
providing shelter, support and life skills to young people aged 16 – 24 who are homeless or are at risk of homelessness.

FINANCE, COMMUNICATIONS, BUSINESS SUPPORT AND ENVIRONMENT & ESTATES:

The team also elected to make a single donation of
£2,500 to Roundabout

Priorities for 2021

We are committed across all current major developments with planning consent to deliver the homes, employment spaces, community facilities and the economic and social uplift promised to key stakeholders.

During 2021 we intend to focus on the tenure diversification of our residential development sites, and consider alternative products on our sites to increase the range and affordability of our developments for local people.

We will continue to work with Government representatives and key tenants, such as Blossom Homes, to trial new modular products, such as those pictured here, on our sites.

We will continue to establish community groups on all our major sites to encourage integration of all new residents.

The Harworth Way:

Planet

Continuing to reduce our emissions and our carbon footprint

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

We declared in our 2019 Annual Report that we were aiming to improve performance by implementing a plan covering four discrete areas:

- examining the prospect of smart working to reduce staff vehicle fuel usage;
- installation of Electric Vehicle (EV) chargers at our head office and at other appropriate sites, to encourage employees to use electric or hybrid vehicles, and change the company pool car to an EV;
- investing in energy-efficient measures at properties where these are cost effective, including the use of LED and passive lighting systems where appropriate; and
- analysing opportunities to manage plant journeys more efficiently at operational sites.

Continued progress during 2020

We are pleased to report that in 2020, year-on-year performance has improved with a reduction of 62.5% in the CO_2 equivalents emissions (CO_2e) produced by the Group compared to the previous year. During 2020 we instigated the following actions and initiatives that drove this improvement:

- in the face of the COVID-19 pandemic, our plans to move to smarter working were accelerated, following the previous roll-out across the entire business of Microsoft Teams to support video conferencing. This had the benefit of not only successfully supporting home working and allowing us to work at near-capacity throughout the year, but also more than halving the CO_2e" arising from the fuel used in vehicles by our staff in pursuance of their work duties. We plan to continue this method of smart working during 2021 and beyond;
- continuing to expand the number of EV chargers during the year: we now have a total of 13 chargers which each serve two parking spaces, including at our head office and an increasing number of our sites;
- isolating the electricity supply to buildings which are unoccupied which ensures that lighting or heating cannot be left on accidentally;
- continuing to install energy saving measures at our existing sites and in new acquisitions: typically this includes fitting LED lighting as standard and using passive lighting systems whenever appropriate;
- despite the acquisitions made in 2020, the CO_2e tonnage from our electricity usage on our estate declined overall by 9% due to energy saving initiatives, an increase in the consumption of energy generated from renewable sources, as well as lower activity on our sites as a result of the pandemic; and
- reducing oil usage which decreased very significantly due to the ending of operations at our coal recovery sites during the year, with only Pulverised Fuel Ash (PFA) removal at Ironbridge still continuing.

This statement and the table below set out the estimated greenhouse gas emissions arising from the activities of Harworth for the 2020 financial year and in accordance with the Environmental Reporting Guidelines set by the Department for Environment, Food and Rural Affairs (DEFRA). Carbon dioxide equivalent emissions are calculated using the UK Government GHG Conversion Factors. Where data is obtained in litres used or distance travelled these conversion factors have been used to convert figures to tonnes of CO_2e.

Emissions, all of which relate to the UK area,are reported in tonnes of CO_2e and refer to three areas:

Area 1 Fuel use in vehicles by staff in pursuance of their duties (Scope 3)

Area 2 Gas oil used in plant at operational sites (Scope 1)

Area 3 Electricity (non-rechargeable) usage on Harworth sites (Scope 2)

	Emission source	Tonnes of CO_2e (2019)	Tonnes of CO_2e (2020)
Area 1	Fuel for staff vehicles	203	98
Area 2	Gas oil used in plant	1,707	381
Area 3	Electricity usage	443	403
Total		**2,353**	**882**

We are pleased to report that the intensity of the Group's emissions have also reduced significantly with the Group's carbon emissions per £million of revenue reducing from 27.5 CO_2e tonnes per £million in 2019 to 12.6 CO_2e tonnes per £million in 2020 driven by the progress noted above.

The Group's underlying energy usage is calculated using DEFRA conversion factors and is related to our scope 1, 2 and 3 activities set out above. For 2020 this was 1,776,198 KWh which represents a reduction of 7.7% from 1,925,119 KWh in 2019.

OUR PRIORITIES FOR 2021

We aim to further improve performance in 2021 through the following initiatives:

Smart working programme

Continuing the smart working programme to allow our staff to plan efficiently to reduce their business miles and work remotely when necessary

Well-maintained

Continuing to use well-maintained, fuel-efficient plant and equipment and periodically analysing and reviewing operational techniques and plant journey data on our Major Development sites

New properties

Ensuring all newly acquired properties are run as energy efficiently as possible

Vehicles

Encouraging the greater use of electric or hybrid vehicles and continuing to expand the number of EV chargers at our sites

Rainwater

Increasing rainwater harvesting facilities where possible

Photovoltaic (PV)

Reinforcing the structure and foundations of buildings on our sites to allow retrofitting of Solar PV panels by end-users

Environmentally responsible

Encouraging clients and tenants to act in an environmentally responsible way: we recently made the installation of EV chargers a pre-condition of sale for serviced land at one of our residential sites

Recycled materials

Making greater use of recycled materials in partitions and in floor and ceiling finishes

Natural

Widespread adoption of natural material

How we are helping Britain reach its net zero carbon targets

Many of the sites within the Harworth portfolio are in close proximity to connections to the National Grid and are therefore suitable for energy generation and storage. We are contributing to the Government's target of developing renewable energy resources on brownfield sites, with a number of our sites being used for this purpose. Harworth currently has involvement in solar, wind energy, energy from waste, energy storage and STOR schemes and we are working with partners including: Anesco, Alkane Energy, Peel Energy, Energy Prospects, First Renewable, GreenPark Energy, Wind Energy Direct, Green Energy Networks and Velox.

Currently, low carbon and renewable energy is being generated on 25 of our sites across six LEP areas (D2N2, Sheffield City Region, York, North Yorkshire and East Ridings, North East, Leicester and Leicestershire and Leeds City Region). There is also potential for energy generation at a further seven sites across Leeds City Region, York & North Yorkshire, D2N2, North East and Sheffield City Region.

We commissioned the specialist economic development and regeneration consultancy, ekosgen, to estimate the total amount of energy currently being produced (or that could potentially be produced) at each site. In order to do this, it is necessary to take account of the load factor, i.e. the proportion of time for which the site is operating and producing energy. This is based on standard industry figures, with the average utilisation rate for each type of renewable energy site based on national data from the Digest of UK Energy Statistics (DUKES). Current levels of energy output are over 276 Gigawatt hours (GWh) per annum, with the potential for this to rise to some 1,400 GWh per annum in the future, if all energy sites were run at their optimum potential. As can be seen in the chart below, this equates to the annual usage of some 74,600 households, with potential to power a further 302,800 homes taking the total to 377,410 households, once all sites are at capacity. To put the figures into context, current energy output is almost sufficient to power all households in the Bury or St Helens local authority areas and the potential output is more than required to power all households in Manchester, Nottingham and York combined.

Households capable of being powered by energy generation on Harworth sites

LEP/Region	Current (homes)	Potential total (homes)
D2N2	38,550	54,460
North East	17,010	19,000
York, North Yorkshire and East Ridings	10,030	29,120
Sheffield City Region	4,880	23,170
Leicester and Leicestershire	2,810	2,810
Leeds City Region	1,320	248,860
Total	**74,600**	**377,410**

All totals rounded and do not sum due to double counting where local authorities are in multiple LEPs

Our sites are already:

GENERATING ENERGY FOR

74,600 homes

AND COULD POWER A FURTHER

302,810 homes

Developing and curating high quality public open spaces

As Master Developer we have been responsible for the transformation into public open space of nearly 900 acres of land, much of it on remediated brownfield sites, which is now enjoyed by the people who live or work on those sites, as well as by the wider community. For example, the Cutacre Country Park next to Logistics North near Bolton is used daily both by those who work at Logistics North, but also by local residents from Bolton, and further afield, from Wigan and Salford.

Green public open spaces form an integral part of the initial masterplan which we prepare for each site. Having undertaken meaningful engagement through a formal public consultation and initial stakeholder workshops, we are able to evaluate the competing demands and uses for proposed public spaces, such as walking, cycling, and running, as well as access requirements, and incorporate these into the schemes that we take forward. Each of the public open spaces on our developments is different, depending on local needs and requirements as well as the topography of the original land. However, all include dedicated footpaths for walkers, as well as tracks for runners and cyclists. Our public spaces are typically very extensive: Cutacre Country Park alone covers 550 acres and together with the country park we have established at Waverley and are in the process of creating at Thoresby Vale, Pheasant Hill Park, Cadley Park and Prince of Wales, these will cover nearly 800 acres.

After we have planned and then created public open space, our involvement continues: typically we remain involved in the ongoing enhancement and curation of these spaces and we continue to work with local communities and stakeholders to ensure that they are used and enjoyed by as many people as possible. As discussed in more detail in the Communities section on page 48, in 2017 Harworth established an innovative partnership with Sheffield Hallam University to construct an 'active environment' prototype at our Waverley development. This has been the basis of the Active Towns project which is designed to prioritise the views of local communities and to encourage people to be more active and lead a healthier lifestyle by using the public open spaces near to them.

A number of our sites, such as Thoresby Vale and Waverley, are on land which was formerly used for coal mining or other industrial activities and have required extensive remediation in order to restore and 're-green' them. In such situations, we often work with other partners, such as the local Wildlife Trust or ecology group. For example, we have worked closely with the Nottinghamshire Wildlife Trust (NWT) to restore the ecology at the Thoresby Vale Country Park we created on the former spoil heap. We have also worked with the NWT at our Rufford site over a number of years to restore ancient heathland. More recently, and as discussed in more detail in the Communities section on page 47, in 2020 we worked with the NWT at its Rainworth Heath Site of Special Scientific Interest (SSSI) in Sherwood Forest to restore a unique area of both wet and dry heathland. The heathland habitats of Sherwood Forest represent a valuable asset to the area and support the many species of birds, animals and insects that live there. Finally, working with the Waverley residents nature group, we purchased and built four new hedgehog houses around the site which will provide a safe and secure place for Waverley's flourishing hedgehog population to hibernate during the winter months.

Protecting the wildlife: hedgehog homes at Waverley

Priorities for 2021

All new Harworth-built commercial units will continue to be minimum BREEAM 'very good', with a range of environmental enhancements. We intend to implement further energy efficient Harworth build specifications in our new developments in 2021, where possible following completion of our low and zero carbon technologies feasibility study.

We intend to remain a long-term landlord for low carbon energy tenants as we continue to review our Income Generation portfolio to identify opportunities to add low-carbon energy generation on sites, reducing energy costs and increasing energy efficiencies for our tenants. Where possible, we will continue to undertake a programme to refurbish and repurpose investment buildings to increase the energy efficiency of our standing-stock portfolio. We also intend to invest in further energy efficiency measures in our income-producing properties.

As demonstrated during 2020, we will continue to implement our identified carbon reduction plan, including decreasing our fuel usage where possible through smart and homeworking, and managing plant journeys more efficiently.

CASE STUDY 2: LOGISTICS

Harworth has an impressive track record of delivering major logistics developments which bring jobs to an area – often in locations of significant economic and social deprivation: our large commercial developments in Bolton and Rotherham are good practical examples of this.

Logistics North, in Bolton, is now a leading hub for manufacturing and logistics operations. It was once the Cutacre surface mine site. Harworth has managed the process to restore the site, using our planning expertise to secure approval for over 4 million sq. ft of bespoke Grade A industrial buildings and put in place important infrastructure to open up the site. We have sold serviced land parcels and also built our own developments, including most recently, a new 50,800 sq. ft building which is due for completion this Spring. Along with other buildings constructed by Harworth, this will be a BREEAM 'very good' rated building, with EV charging-points and will enable the installation of solar PV panels.

Once complete, this site will deliver over 4 million sq. ft. of bespoke Grade A industrial and logistics buildings. It is forecast to add over £300m of GVA to the local economy, in addition to over 7,000 jobs. To date, 3 million sq. ft has been built and 5,500 people are already employed at Logistics North. In 2020, Harworth sold Plot C1, a 2.2-acre plot at the development's entrance, to A&F Forecourts Ltd.

An innovative surface-water attenuation scheme is in place on the site reducing the risk of flooding.

Harworth has planned and created a 550-acre country park, providing unique surroundings for businesses, further providing the employees and local residents with additional recreational amenities, including 18 km of new foot and cycle paths.

At the AMP in Rotherham, Harworth in partnership with the University of Sheffield's AMRC have transformed the former Orgreave mine into the home of some of the world's major manufacturers. The vision of the AMP emerged from the decline that South Yorkshire had suffered in its traditional industries of coal and steel over the last thirty years. Despite this decline, the region had retained established skills and expertise in the areas of advanced manufacturing. Harworth's vision remains on track to deliver 4,000 high-value jobs to the region – eight times that of Orgreave when the site shut down in 1990.

Harworth progressed the site through planning and achieved planning approval in 2001. The masterplanned site will deliver 2.1m sq. ft of high technology manufacturing space. To date, 1.5 million sq. ft has been built with manufacturers such as Rolls-Royce, Boeing and McLaren Automotive now in occupation, alongside key SMEs.

We have constructed three phases of our R-evolution buildings with unit sizes ranging between 5,000 – 20,000 sq. ft. These units are all fully let and, in some cases, we have seen existing occupiers already expand their presence on site. In 2020, we completed the construction of a new 22,300 sq. ft bespoke building for the UK Atomic Energy Authority (UKAEA) which became one of the most recent occupiers at the AMP. The facility will be used to support the UKAEA's research and development into the commercialisation of nuclear fusion as a source of sustainable energy and is expected to create 40 high-skilled jobs.

Progress has been made possible through our key partnership with the University of Sheffield's AMRC.

The site is already well-connected by road, but the next phase will see further public transport initiatives including the potential for opening a new railway station on the site. A new Waverley station was included in the Government's National Infrastructure Strategy published in November 2020 for further consideration.

The AMP is next to the Waverley New Community residential project and country park, an integral part of a sustainable mixed-use community. A key component of future development will be the new local centre which will serve both the residential and employment communities.

	Logistics North	**Advanced Manufacturing Park**
Overall Development Timeframe	2014 - 2023	2001 - 2025
History of site	Former Cutacre opencast mine	Former Orgreave Colliery
Built Development so far	3.0 million sq. ft	1.5 million sq. ft
Partnerships in place	LPPI Real Estate ACS	University of Sheffield's AMRC
Community infrastructure delivered	550-acre country park, sustainable drainage system, highways and access infrastructure, and bus service	310 acres of country park and ecological improvements, including over 10km of cycle and footways
Next phase of development	50,800 sq. ft speculative unit under construction, 1.0 million sq. ft by Lidl following land sale	100,000 sq. ft advanced manufacturing facility for a growing SME and R-evolutiuon speculative development next phases
Intended development on completion	4.0 million sq. ft	2.1 million sq. ft

The Harworth Way: People

Our people are our most important asset: it is through them that our business can flourish and placemake to provide spaces that promote health and wellbeing and ultimately improve the lives of others.

Promoting a positive culture in which our people can flourish and develop is crucial to delivering against our Purpose. This was particularly important during 2020 when, in common with many other businesses, COVID-19 required us to make many changes to our normal working lives, with reduced face-to-face interaction and with most of our staff working from home for much of the year.

In 2019 we launched the Harworth Values that underpin our One Harworth culture and the way we do our business, and in 2020 they were embedded into the business. These values are now fully incorporated into appraisals, as well as into the setting and scoring of remuneration objectives and are reflected in all internal communications, including the quarterly Harworth Newsletter and the Harworth Intranet. At our quarterly breakfast meetings, employees can nominate colleagues for 'celebrating the Harworth Values' and, despite COVID-19, we continued with these nominations in our 'virtual communications' events during 2020. In December, we held our first virtual Annual Values Awards ceremony which recognised employees who had lived our 'Harworth Values', with three overall winners and several runners up.

Meeting the people challenges of COVID-19

The challenges of COVID-19 and the resulting lockdowns had a huge impact on people's lives during 2020, and Harworth was no exception. The PSG, which we established three years ago to shape the People agenda was pivotal to the way that the organisation and our employees were able to deal with the many challenges posed by the changing restrictions. It enabled us to consult with our teams in a structured forum and ensure that our employees were comfortable and engaged with the evolving plans and decisions. Discussing and shaping plans with the PSG ensured that our teams did not feel that the plans were being imposed on them without adequate consultation. When, for example, restrictions were eased last September and the Government was encouraging people to return to their workplace, the PSG helped us shape the plans for ensuring that our offices were a COVID-Secure environment.

In common with many other businesses, where possible following the imposition of the first lockdown in March, our employees moved to homeworking. Although the business adapted extremely well and quickly to new ways of virtual working, these can also, as has been widely documented, bring new challenges. These particularly relate to mental well-being caused by the lack of a 'normal' daily routine and face-to-face contact with colleagues at work, as well as from having to combine work with competing priorities, such as childcare and home-schooling during lockdowns. From the outset of COVID-19, every employee has received several 'check in' calls from one of our four trained Mental Health First Aiders (MHFA). They have played an important part in our employee engagement during 2020. When restrictions eased, albeit temporarily as it turned out, we felt that it was important to understand how our team felt about a possible return to the workplace and their mental health and general morale and so, in addition to our regular annual employee survey, in September we conducted a shorter 'pulse' survey to answer these questions. The results were reassuring and very positive: for many people, work life balance had improved and 91% of our team rated their motivation as 'good' or 'very good' as they came out of the first lockdown. Feedback from this survey indicated that they greatly appreciated the support from our Mental Health First Aiders and overall, they felt well looked after by the Company throughout the pandemic to date.

Ensuring the health, safety and wellbeing of our employees

Health and safety has an extremely high profile in our business: day-to-day review and management rest with our Estates, Environment and Safety (EES) team, led by our Associate Director of EES. The EES team reports to our Company Secretary, who has a wider responsibility for governance, risk and compliance. Our Chief Executive has ultimate responsibility for all health and safety matters.

Harworth's Safety, Health and Environment Management System is based on the 'Plan, Do, Check and Act' model advocated by the Health & Safety Executive. The EES team maintains a risk register which, from a health and safety perspective, rates each of our sites as 'low risk', 'medium risk' or 'high risk'. A medium or high-risk rating recognises that action needs to be taken at the site, whether within a prescribed timetable (medium risk sites) or immediately (high-risk sites). All our low and medium risk sites are inspected at least annually and our high risk-rated sites are inspected more regularly. At the date of this report, there were no "high risk" sites in the site risk register. The overall risk profile of our sites is reported to both the Management Board and Board monthly. Movements in this profile are fed into the bi-annual reviews of the Group Risk Register (see the Effectively Managing Our Risks sections on pages 32 to 39).

Our EES team ensures that health and safety is embedded into all our activities. In 2020 mandatory health and safety training was delivered to all employees in the form of on-line courses provided by an external resource, which included tuition and testing.

Other proactive safety initiatives are undertaken in the form of health and safety inspections and audits of our demolition and engineering projects. The geographical spread of our sites is wide and the type of sites is varied. Any issues reported, whether they be incidents or accidents, are logged and appropriate follow-up action is undertaken and monitored by the EES team. This process is key to identifying areas for improvement across the portfolio.

During 2020, we continued to engage JPW Consultancy Limited, an external health and safety consultant, to advise on health and safety issues across the business. We have now expanded this to a panel of three consultants, to meet the demands of our growing portfolio, reduce our dependence on a single supplier, and to apply 'fresh pairs of eyes' to our approach. These consultants focus on health and safety at our major development sites, including management of consortium meetings between Harworth and its stakeholders, such as contractors and local authorities.

There were six minor accidents recorded at our sites during the year: of these, there were no accidents to Harworth personnel and there were two minor accidents involving supervised contractors. Where we have appointed a Principal Contractor under the Construction Design and Management (CDM) regulations, it and its sub-contractors take responsibility for health and safety whilst works are ongoing, but we continue to monitor health and safety via our consultants or via our project managers, and it is on these sites where the remaining four accidents were recorded.

There were no Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) accidents or incidents or lost-time accidents reported by Harworth for any area under Harworth control. There were two RIDDOR accidents reported by contractors acting in a Principal Contractor role at a site where they were responsible for health and safety under CDM Regulations.

We are also keen to ensure that the "health" in health and safety is given the attention and profile it deserves. We now have four of our employees who hold a mental health first aid qualification, alongside those with traditional first aid qualifications. We have continued measures designed to promote mental and physical health and wellbeing amongst our staff. Before the impact of the COVID-19 pandemic we were supporting a number of activities at our Head Office for those who wanted to exercise during the working day, including a series of videos to show our employees how to maintain a good posture and suitable exercises for them to do while working from home. Also, during the lockdown periods and where access to our offices has been limited, we have supported a number of offsite challenges to encourage physical activity, for example participation in walking and running activities.

We have recently launched an Employee Assistance Programme (EAP) for all our employees: EAPs are intended to help employees deal with any personal problems that might impact their work performance, and health and wellbeing. These typically include assessment, short-term counselling and referral services for employees and their immediate family. There is also an App that employees can download and tailor its content to their needs including, videos, mini health-checks and nutritional advice. The EAP has been extremely well received.

When the COVID-19 pandemic hit, all our sites were risk assessed in terms of additional risk that might have materialised due to the pandemic and this was reported at both Management Board and Board level. All Harworth's offices were separately risk assessed for COVID-19 and additional measures put in place. Employees have worked from home when required during the lockdowns. Following the end of the first lockdown, when the Government encouraged people back to the workplace, additional safety measures were installed at all offices and rotas were established to ensure a safe and staggered return to the office environment.

In terms of monitoring health and safety across our portfolio:

- meetings are held between our Company Secretary and the EES team monthly, following which our Associate Director of EES reports to both our Management Board and the Board. Those reports include incident briefings and near hits, examples of good practice, as well as the overall risk profile of the portfolio;
- a report on health and safety forms part of the Chief Executive's monthly update to the Board;
- there are quarterly safety meetings chaired by our Associate Director of EES, attended by representatives of each division, at which incident and near hit briefings are given; site-specific and business-wide issues are identified and discussed, with action points agreed; and best practice is shared; and
- our Associate Director of EES reports to the Board in January each year on key issues encountered and actions undertaken during the previous year and on priorities for the coming year.

Effective employee engagement

Both the Board and the Executive Team recognise the importance of regular engagement with all of our employees.

Engagement by the Board

During 2020 the Board had planned to build on the various initiatives of its employee engagement programme which had been rolled out in the previous year. However, the restrictions arising out of COVID-19 meant that some events were unable to go ahead as planned, albeit every effort was made to rearrange events virtually, as we did with our Board meetings.

- Our Employee AGM, which we first held in 2019 as a way of explaining to our employees the role of the Board and each of its committees, unfortunately had to be cancelled in 2020. However, later in 2021 we are planning to hold our Employee AGM with additional forum sessions for the Non-Executive Directors to discuss their backgrounds and to share their experiences.
- We had previously scheduled extended breaks into our Board meeting agendas each month to allow for informal lunchtime meetings between groups of employees and different members of the Board. Although we were unable to do this for most of 2020, we did introduce employee catch-up calls each month as a virtual alternative. Under the virtual Board/Employee catch-up programme, typically the Chair of the Board will first take the opportunity to speak to the full group of employees, before the meeting splits into smaller, virtual break-out groups with two Non-Executive Directors and three or four members of staff from different parts of the business to allow for a more interactive discussion. At such a time that the current restrictions are eased to allow for face-to-face meetings, we anticipate resuming the monthly programme of Board/Employee lunches at our Head Office in Advantage House.
- The PSG has continued to meet quarterly in virtual form and play a very important role in our employee engagement strategy. We have also re-started the attendance of Non-Executive Directors at the quarterly PSG meetings on a rotational basis.
- We had planned to host some of our Board meetings in our North West and Midlands regional offices during 2020, but were unable to do so. Once restrictions are lifted, we will progress this initiative with a Board dinner with the regional team on the evening before the Board meeting is held in the relevant regional office. The Regional Directors and the Head of Income also attended the Board's strategy day.
- In the recent past, our project teams have hosted regular site visits for our Non-Executive Directors, which has allowed them to see our developments first-hand and to meet the wider members of the Harworth team. Particularly given a number of changes to the Board in 2020, it is planned to recommence the programme of site visits as soon as this is feasible.
- When the Board is able to return to holding physical meetings and host Board dinners, we will resume our programme of inviting members of the wider Senior Management Team to attend the dinners.

Particularly given the many restrictions that have been in place during 2020 due to COVID-19, the PSG has continued to play a very important role in our employee engagement strategy. The PSG comprises twelve employees from different teams across our business. We seek to achieve an appropriate mix based on a number of factors including, length of service, experience and diversity. We refresh its membership with an annual rotation of three members.

The PSG has two main functions: firstly, from an operational perspective it identifies and develops our 'people agenda', as well as proposing and implementing initiatives to deliver that agenda. Secondly, the group is also a forum for engagement between the Board and the Company's employees. PSG quarterly meetings are held immediately after Board meetings, thereby enabling some of our Non-Executive Directors to attend part of the PSG meeting on a rotational basis when the views and concerns of employees are identified and discussed. In turn, these views are then formally fed back to the whole Board at the subsequent Board meeting.

Given the diverse nature and scale of Harworth's business, there being currently only 80 employees, the Board considers that the combination of measures detailed above facilitates effective engagement with employees. Collectively, we view these measures as a satisfactory way to ensure that workforce engagement is delivered in accordance with the UK Corporate Governance Code. The Board reviews the ongoing effectiveness of all engagement measures annually, principally through the results in the annual Employee Engagement Survey. Given the challenges of 2020, it was very pleasing to note that the 2020 survey found that 85% of employees (the same as in 2019) rated Communication as being good. 77% of employees said that they felt that the Non-Executive Directors have enough visibility of the business, an increase from 74% in the previous year. The scores for awareness of the Non-Executive Directors and their roles however dropped slightly in 2020, compared to 2019. We believe that this is probably because, as previously detailed due to COVID-19, we were not able to hold the Employee AGM or the Board/Employee lunches in person, combined with some of the personnel changes on the Board during the year. We believe that this will be addressed by the planned Employee AGM later this year.

Whilst engagement and regular communication with the workforce are clearly important, the Board is also mindful of the need to consider the interests of all employees when making its decisions. For example during 2020, the Board considered the following matters with regard to the interests of Harworth's employees:

- Resourcing formed a significant part of the Board's discussions during the year. This is especially important when the Board appraises new, and particularly large, projects. Having the right people and adequate and appropriate resources in place in order to undertake such projects is crucial both for the health and mental wellbeing of our staff, but also for our customers and suppliers.

- Health, safety and wellbeing of our employees and contractors form an important part of the Board's monthly review of health and safety across our sites, and the annual briefing to the Board from our Associate Director of EES. Clearly, during 2020 we faced the additional and changing requirements of providing COVID-Secure working environments for all our employees and other stakeholders. Our 2020 Employee Engagement Survey included some additional questions to measure and monitor employees' mental health and their attitudes to returning to the workplace and the new working arrangements for COVID-19.

- The Board undertakes an annual review of talent management and people development: this is described in more detail on page 110. In 2020 it reviewed the results from the annual Employee Engagement Survey and discussed and agreed with the Head of People the priorities for addressing its output.

Engagement by the Executive Team

We also regard engagement with our employees at an operational level to be of paramount importance. This was particularly the case during 2020 in the face of the unprecedented disruption and uncertainty caused by the COVID-19 pandemic. With the majority of our employees working remotely from March, we established a COVID-19 Working Group to monitor Government guidance, oversee key communications and 'return to work', as well as the training of MHFAs to support colleagues as needed.

During 2020, much of our employee engagement and communication had to be delivered virtually and we undertook the following initiatives:

- The Chief Executive and the Head of People led monthly communications sessions.

- During a time of unprecedent uncertainty when many of our peers and housebuilders were furloughing staff or taking pay cuts, it was important that our employees were regularly briefed and felt reassured about the outlook for the Group, albeit that Harworth did not itself furlough any staff. Our Chief Executive and Chief Financial Officer held regular briefing sessions for our employees.

- We continued to celebrate success and nominated colleagues for Values Awards, including holding our first virtual Values Awards ceremony.

- We built on the success of the Harworth Intranet which was launched in 2019 and has become the principal platform for communicating with our employees. We also continued to send out our quarterly newsletter containing input from every department, and including a section that celebrates the success of employees who were nominated by their colleagues for living the Harworth Values.

- Since she joined in November, we have arranged a number of virtual CEO breakfasts for Lynda Shillaw which have enabled her to gradually 'meet' all of our employees. There was no fixed agenda for these breakfast meetings and employees were able to raise any topics they wished.

- Having rolled out the use of the Microsoft Teams video conferencing facility in 2019 and during 2020, this played a critical role in our ability to continue to work collaboratively across different offices in our regional operating structure.

The effectiveness of our employee engagement during an exceptional and difficult year was clear from the results of our 2020 Employee Engagement Survey. As previously highlighted, not only did an unchanged 85% of our employees rate the Company's Communications as being good, but overall scores for motivation increased from 85% in 2019 to 92% in 2020. 97% of our employees said they were happy in their jobs, and an impressive 100% of our employees said that they respected the senior management of Harworth, which was a 3% increase on the previous year. Finally, 98% of employees who participated in the survey said that they would recommend Harworth to others as a good place to work, which was an increase of 1% on last year.

As well as undertaking a shorter, 'pulse' survey after the end of the first lockdown to check on our employees' attitudes to the new working pattern and the Government's wish to see a gradual return to offices, our response to COVID-19 was also independently audited by KPMG. Their summary, which was presented to the Audit Committee, concluded:

> "It is clear that management's response to the pandemic was well coordinated and managed and effective in delivery, as evidenced by the positive responses to the people survey that was conducted."

KPMG identified a number of areas of good practice in their audit of Harworth's response to the pandemic, which included the establishment of our COVID-19 Working Group to oversee key communications during the lockdowns and the 'return to work'.

Developing our talent

The Nomination Committee leads on succession planning and development for the Board and the Senior Executive team and undertakes an annual review of those plans. The successful appointment of a new Chief Executive and two Non-Executive Directors during 2020 has demonstrated the resilience of the process.

Below the Senior Executive level, our Head of People undertakes a detailed review of succession and development plans for each role in the business. The output from this review is considered first by the Investment Committee and then presented to, and scrutinised by, the Board.

All our employees have undertaken an externally facilitated 'insights' personality profile exercise, which is designed to help us understand the dynamics of our teams and informs our recruitment of new employees and our plans for continuous professional development (CPD) of existing team members.

Our Head of People has established a rigorous and consistent appraisal process and timetable which ensures that performance is overseen and managed and development needs are identified and fulfilled. The Harworth Values are fully incorporated into the appraisals process and the setting and scoring of bonus objectives.

Many of our employees regularly attend external training courses, frequently to satisfy ongoing CPD requirements for their professional qualifications. Currently four of our 80 employees are working towards their professional qualifications, with a further three due to commence this year. We support all employees in the pursuit and refreshment of professional qualifications and skills: both financially and by encouraging CPD and the transfer of knowledge from senior to junior employees.

During the year, we also hosted a number of workshops and webinars for our employees, typically with input from some of our professional advisers. External coaching is also available for our employees and we encourage them all to make use of this benefit and resource.

We are aware from our annual Employee Survey that Harworth's flat structure can feel somewhat limiting to younger, ambitious employees who are keen to progress through the organisation. Addressing this to ensure that we retain our younger talent is a key focus of the Head of People.

The lakes and open space at Waverley

Recognition and reward

We offer a comprehensive employee benefits package for all employees. This includes a defined contribution pension scheme with above-market employer contributions (including the option of salary sacrifice with additional employer pension contributions), private medical insurance and life insurance. The employer pension contribution levels and insurance cover for employees are consistent across the whole business. In response to feedback in the most recent Employee Engagement Survey and in recognition of the additional strain that homeworking has placed on the family lives of many of our staff, we have awarded all our employees who worked for Harworth during 2020 an increased additional holiday allowance for 2021. We are also now making a 'buying additional leave' option available for our employees.

Bonuses for those employees who are contractually entitled are awarded, in part, for performance against the Group Financial Targets which are aligned with the Group's overall strategy for long-term, sustainable growth and which are applied consistently across the Group. In 2020, these targets were based on: total return, sales volumes, acquisitions and profit excluding value gains. The balance of all bonuses is awarded for performance against personal objectives which incorporate and reflect the Harworth Values. In 2021, our bonus structure will also incorporate a Group-wide ESG measure for the first time.

During 2020 we operated a Restricted Share Plan (RSP) which we had adopted in the previous year. The operation of the RSP is simple and transparent and covers the executives and senior management team. Further details on the terms and operation of the RSP appear in the Directors' Remuneration Report on page 114.

We also operate a Save-As-You-Earn scheme (SAYE) and a Share Incentive Plan (SIP). The SAYE gives employees an annual opportunity to save up to £500 a month over a 3-year period with the option to purchase shares in the Company at a 20% discount to the market price of the shares at the outset of the scheme. To date, a total of 67 employees have chosen to participate in the SAYE scheme since its inception. The SIP provides a tax efficient mechanism by which the Company can promote wider share ownership amongst its employees by awarding shares to employees, or by encouraging them to purchase shares. Together, we believe that the SAYE and the SIP are convenient and cost effective methods by which we can widen share ownership amongst our workforce and allow our employees to share in, as well as contribute to, the Group's future success.

We appreciate that offering an appropriate and competitive remuneration package will always be a high priority for all our employees, but we also believe that non-financial forms of recognition can be equally important. We believe in creating a culture that celebrates success across the business and this was reflected during the year in several formats, including the employee communications meetings, in the Harworth quarterly newsletter, and in our annual Values Awards ceremony.

Promoting wellbeing and healthy lifestyles

Reflecting our commitment to ESG and our skills in creating, where possible, attractive areas of communal open space at our developments, we are keen that these amenities are enjoyed both by our staff and the wider public. Although during most of 2020 communal activities were restricted and many of our employees were working from home for much of the year, a Harworth 5K run was successfully organised in the summer to suit people of all abilities and standards. This attracted 27 entrants and the first 5K event in 2021 has already been planned.

We have continued to deliver public open space on our sites: in 2020 we completed the Logistics North Cutacre Country Park with 550 acres providing footpaths and trails. We progressed the restoration of the Country Park at Thoresby Vale and continued to develop the open space at Waverley New Community. In total, we have delivered nearly 800 acres of public open space to date.

The public open space on all of our sites is managed and overseen by our EES team which acts as site custodian. The EES team monitors and maintains all spaces that are accessible to the public, and also protects the public from any potential danger in the areas that are not accessible. The public open space at our residential development sites is managed by our Residential Management Company function, part of our EES team. They undertake regular safety inspections and liaise with other stakeholders including the Police, Fire Service and local community groups to ensure the safe enjoyment of the public open spaces on our sites and to stop the public accessing parts of our sites deemed to be a risk. Further information on wider uses of our open spaces to support public health and wellbeing can be found in the Harworth Way: Communities section on page 48.

Diversity

Harworth recognises the importance and benefit of a diverse (in the widest sense of the word) workforce, comprising talented individuals with different backgrounds, experience, perspectives and ideas. Like much of the real estate and construction sectors, achieving that objective is a significant challenge, but we are committed to it and we adopted a new Diversity and Equal Opportunities policy in 2018. Harworth runs Equality and Diversity training as a mandatory course for all employees. This is run every six months for all new starters. We regularly monitor the effectiveness of the initiatives we have taken to improve diversity, as well as the progress made, and we publish this data each year. The diversity analysis for 2020, including the comparative figures for the previous year, appear on pages 98 to 100.

People priorities for 2021

As the restrictions from the COVID-19 pandemic hopefully gradually ease during 2021, it is clear that many aspects of our daily lives and routines are likely to change as a result of our experiences over the past year, particularly in the working environment. Accordingly, we have asked the PSG to undertake an initial review of how we might wish to work going forwards; in due course, this is likely to involve consultation with all our employees and listening to their views. Remote working has clearly had both advantages and disadvantages for all of us and we feel that it is important to try and incorporate those learnings into our ongoing working lives.

As previously outlined, a number of our employee engagement activities and events were cancelled or altered due to the pandemic and we are keen to reinstate those during 2021 when possible.

The PSG has also been asked to consider what diversity, inclusion and equality looks like at Harworth and it is due to report back on this during the first half of 2021.

In March 2021 we launched our new policy on charitable donations, the Harworth Charitable Giving Policy. This is discussed in detail in the Communities section on page 50.

The Harworth Way:

Partners

In this section, we identify our key stakeholders and explain how we engage with them and have had regard to their interests when making strategic and significant operational decisions during 2020. Whilst the Board recognises its statutory obligation to do so under the Companies Act 2006, our engagement and collaboration with stakeholders is not merely a matter of statutory compliance. It is fundamental to creating sustainable places where people want to live and work.

The Board continues to monitor the effectiveness of the Company's engagement with its key stakeholders, with a detailed review of our stakeholder "map" now an annual Board activity and one which we undertook ahead of Lynda Shillaw's appointment in November and which has informed the extensive stakeholder engagement programme she has undertaken since joining the business. In 2020, we concentrated on embedding stakeholder impact into Board project appraisals. We have updated the project business case templates which are presented to the Board to focus discussions on: how each project supports the delivery of our Purpose and aligns with our strategy; the environmental and societal impact of each project; the impact of each project on our external stakeholder groups; and resourcing for each project.

Section 172 statement

Stakeholders	How we engage	How have we "had regard" to their interests?
Our People	See the People section on pages 58 to 63 of the Strategic Report.	Resourcing is an important aspect of our project appraisals. Against the unprecedented backdrop of the COVID-19 pandemic, it has been more important than ever that we resource the business appropriately and look after our people. You will see on pages 58 and 59 the steps we have taken to look after our employees' physical and mental wellbeing during this challenging period.
Investors	Two of our Non-Executive Directors, Martyn Bowes and Steven Underwood, are conduits for engagement with two of our largest shareholders. The CEO, CFO and Head of IR meet with existing and prospective investors, including following our preliminary and interim results announcements. The Chair also meets regularly with our largest shareholders. During 2020, the Chair and SID sought the views of our largest shareholders on the terms of Owen Michaelson's retirement. The Board receives regular feedback from our brokers and the Executive Directors on the views of existing and prospective shareholders. It also reviews quarterly reports on the main changes to the composition of the Company's share register and copies of notes prepared by analysts. When restrictions are lifted we hope to host another Capital Markets Day at one of our project sites.	Delivering long-term sustainable returns for investors is a key objective and underpins all project appraisals. During 2020, the Board has been mindful of the volatility of the share price and its discount to the Company's EPRA NDV. Narrowing that discount remains a priority through strong trading, delivery against the strategy, and clear communication to existing and prospective investors. This remains at the forefront of the Board's mind. When making share awards in, and determining the bonus outturn for, 2020 the Remuneration Committee had regard to the economic backdrop and shareholder experience.

Stakeholders	How we engage	How have we "had regard" to their interests?
Communities	Over the following pages we explain our approach to consultation and collaborative working with the local communities where we are transforming sites. This includes: early and ongoing engagement with the public on all planning applications; liaison with key community groups on all Major Developments as they mature; and careful management of the public open space on our residential development sites including regular communication with residents.	During 2020 we have embedded into project appraisals a detailed review of the impact of each project on all stakeholders but particularly the communities we create and work alongside. Presentations include a briefing on our "placemaking" proposals for each site. This is best demonstrated by the growing maturity of our Waverley site, where a new primary school opened in September and we are finalising our plans for "Olive Lane" which will become the new heart of the site over the coming years, with a supermarket, medical, retail and leisure facilities.
Government	We engage with central Government and MPs formally, via participation in consultation exercises on policy proposals such as the Planning White Paper, and informally on national initiatives, such as decarbonisation and the levelling up agenda, and site-specific matters. We do this both collectively, with bodies such as the British Property Federation, and individually. We are also in regular contact with HS2 about the safeguarding of two sites. We engage with local Government and LEPs 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.	Harworth has an important part to play in supporting some important Government (and societal) priorities over the coming years, both at a national and regional level, including the climate change and levelling up agendas, persistent housing shortages and trends in retail and logistics. These are prominent considerations for the Senior Management Team and Board when setting our strategy and making operational decisions. Housing shortages within local planning authorities and central and local Government priorities for infrastructure investment will continue to be factors which inform project appraisals. Project delivery is increasingly influenced by climate change initiatives.
Suppliers	We apply a consistent "take-on" approval process for all suppliers. Whilst we operate a long list of approved suppliers typically we engage small groups of trusted consultants and contractors on a repeat basis, fostering strong relationships. The frequency of our engagement with contractors and consultants depends on the type of works being undertaken, a project's status and the number of assignments a supplier is undertaking at any one time. Where there is heavy use of certain suppliers, we employ a regime of regular financial checks and reporting and relationship management to monitor performance. In the period following the outbreak of the COVID-19 pandemic, our engagement with contractors intensified, as we worked with them to pause and assess projects and then restart them in a COVID-Secure environment.	The momentum we maintained on projects during 2020 demonstrated our strong relationships with suppliers. The safety of our contractors was extremely important as the Senior Executive Team, with support from the Board, navigated the early stages of the pandemic. So too was the financial health of our suppliers. We paused on all projects initially but, having consulted with our active contractors, restarted quickly, at all times in line with Government guidance. We were consistent but pragmatic when it came to contractual matters, payment terms and cashflow, mindful of the financial uncertainty and pressures faced by all businesses at that time.
Customers	The principal customers of our Capital Growth segment remain housebuilders and commercial developers/occupiers. Engagement is mainly transactional, although we maintain regular contact outside of deal cycles, both directly and via residential and commercial agents. The customers of our Income Generation segment are principally Business Space, Natural Resources, and agricultural tenants. Typically, day-to-day engagement with tenants is via our managing agents and we identify where direct involvement and engagement is needed via our monthly meetings with the agents. During 2020 our direct engagement with tenants was more intensive. This was in part due to the pandemic, which necessitated more active negotiations about rent payments for those tenants acutely affected. We also needed to manage carefully the impact of the 2021 insurance renewal, which has meant our passing on significant premium increases to tenants.	Rent collections were a prominent factor in the operational performance of the business in 2020 and, as such, the financial position of and negotiations with tenants were a focus of management time and Board discussions during the pandemic period. The impact of significant insurance rent increases on some tenants already enduring tough economic conditions has also been high on the agenda for the Senior Management Team during the insurance renewal process.
Advisers	Our principal advisers comprise external auditors, valuers, managing and sales agents, legal panel, corporate brokers, tax advisers, communications advisers, remuneration consultants and insurance brokers. Our engagement with each of them will vary depending on their role and periods of activity and inactivity by the business on certain matters. For example, our engagement with the legal panel, agents, corporate brokers and communications advisers is relatively consistent during the year and includes regular meetings as well as liaison on specific transactions and activities. Our engagement with the auditors, valuers, tax advisers, remuneration consultants and insurance brokers will be more intensive at certain points in the year. Like all businesses we have had to find virtual ways of engaging with our advisers during 2020.	We have been mindful throughout the pandemic period of the capacity and logistical pressures faced by most businesses, including professional firms, with COVID-19 restrictions in place. We have factored this in when spreading the work around our legal panel, for example, and into the deadlines we have set for our advisers.

Stakeholders	How we engage	How have we "had regard" to their interests?
Funders	Typically, we schedule relationship meetings with our senior lenders (currently NatWest and Santander) every six months but have a regular dialogue with them throughout the year when providing management information and making requests for transaction consents. Engagement was more regular during 2020 following the COVID-19 outbreak given the macro-economic backdrop for all businesses. Our positive relationship with them was reflected in their willingness to increase our RCF in May 2020, at the height of macro-economic and social uncertainty caused by the pandemic, affording operational flexibility and additional capital for opportunistic acquisitions.	The Senior Executive Team have recognised the importance of maintaining open lines of communication with our senior lenders during the pandemic, having regard to their need for regular updates and assurances about operational and financial performance of which, understandably, the lenders were keen to remain appraised given the macro-economic climate.
Joint venture parties	We have applied a consistent approach to governance across all our joint venture arrangements, which includes formal JV board meetings, agreed approval levels and processes, and secure and collaborative document sharing. Within this consistent governance framework, we tailor our engagement for each joint venture, informed by the approach of our partners on, and the status of, each project. Typically, on top of our formal governance structure, we overlay regular dialogue via telephone and face to face meetings (albeit these have been held virtually in recent months), particularly during periods of heightened promotion, development or transactional activity.	During 2020 we agreed to purchase Hallam Land's 50% share in one of our joint ventures, following an open and transparent dialogue resulting in a mutually beneficial outcome for both parties. We remain partnered with Hallam Land on one other joint venture project.
Regulatory bodies	We are proactive in our engagement with the Environment Agency (EA), the regulatory body we interact with the most in the ordinary course of our business. Our Environmental Manager takes the lead on our engagement with the EA. He hosts EA regional officers on regular site visits and inspections, supplemented by regular, informal telephone contact with them to discuss permit compliance, monitoring results and variations. Monitoring results are reported regularly for certain sites to comply with permit conditions. When issues do arise (infrequently) our engagement with the EA is proactive and collaborative. There is regular, largely informal, engagement with the Heath and Safety Executive, led predominantly by our Associate Director of EES and typically ahead of projects with a particular health and safety dynamic. We have, for example, worked closely with the HSE on the demolition of the former Ironbridge power station and, in 2020, when filling a shaft at a site in Nottinghamshire. We also have infrequent, but proactive, engagement with the Forestry Commission, typically via our ecologists.	We have regard to feedback from the EA on site restoration and permit compliance and from the HSE on projects about which we consult with it. During 2020, we supported the EA in its investigations into activities by a third party on one of our sites.

Our engagement with local communities

In our role as Master Developer, our approach is one of active engagement and consultation with many local communities and groups, including residents, statutory bodies and many voluntary and charitable organisations. Ultimately, we believe that wide engagement with those who have an interest in our plans and in the intended end-use of our land is crucial to the success of our developments. We believe that by positive, constructive and meaningful public engagement, local stakeholders will take an active part in the process and that this adds value for all parties, including Harworth, and will ultimately lead to the creation of high quality developments and better places to live and work.

Given the long-term nature of many of our developments, it is important for us to have a robust, ongoing engagement process with all our stakeholders throughout the period of development and beyond. As part of our ongoing Master Developer and site custodian role, we create a management company to look after the public open space on each site over the life of the development, before control is eventually passed to residents or a dedicated third party, such as Lands Trust. We have employees who are responsible for each of our Major Development and income producing sites and a key part of their role is to maintain a regular dialogue with key stakeholder groups throughout the lifecycle of development to update them on progress and to obtain feedback from them on how development is progressing.

Our Seven Stage Process

We have previously described the seven-stage process that we typically follow for a Major Development to achieve meaningful, 'real' consultation which is both inclusive and effective. This is perhaps best illustrated by the events we have hosted at our Ironbridge Major Development site over the past three years before submitting an outline planning application. A timeline of the process is illustrated on page 67, starting with Harworth's purchase of the 350-acre site of the former Ironbridge coal-fired power station in June 2018.

Prior approval for the demolition works on the site, including the former cooling towers, had been granted in 2017. By the end of 2019, we had submitted an outline planning application for the total redevelopment of the site to include: up to 1,000 houses, a retirement village, employment land, allotments, sports pitches, a railway link, leisure facilities, a new primary school, a park and ride facility, and routes and tracks for walkers and cyclists. The process outlined below and on the following page summarises how Harworth engaged with the local community and other stakeholders.

Stakeholder Workshop

In September 2018, 60 guests attended a full-day workshop at Ironbridge hosted by Harworth. They included officers and councillors from Shropshire, Telford and Wrekin councils, as well as representatives from five neighbouring parish councils, and a number of local and national organisations, including: Network Rail, the National Trust, the World Heritage Steering Group, Shropshire Wildlife Trust and Ironbridge Railway Trust, as well as a range of local business owners and landowners. The event included a presentation on the site, its opportunities and its challenges. We hosted workshop sessions on different subjects and attendees were all given the opportunity to participate in a guided tour of the whole site.

Public Exhibition

A public exhibition was held at Ironbridge in October 2018 which was attended by nearly 550 people. This allowed local residents to view the emerging proposals for development being displayed using Computer-Generated Imagery on exhibition boards and to put their questions to representatives from the development team.

Harworth has always placed a very high importance on ensuring that the consultation process with the local community at, or around, our Major Development sites involves as many people as possible, particularly those who might not normally get involved in planning matters. We are delighted to welcome members of the public to our arranged site visits as part of the consultation process, as we believe that seeing the whole site allows the scope and scale of the development to be appreciated.

Details of the consultation process were distributed to the local community as widely as possible: leaflets were distributed to local residents and interest groups. We also created a dedicated website for the development, so that local residents could follow the progress at Ironbridge and view the emerging masterplan.

Second Stakeholder Presentation and Public Exhibition

A second presentation to stakeholders was held in May 2019 at Ironbridge, as well as a second public exhibition which was attended by around 250 people. At these events the emerging preferred masterplan was presented to the attendees.

The results of our consultations

A variety of different events were therefore held to reach out to local residents, community groups, and stakeholders, and to seek their views on the development of this landmark, but derelict site. Harworth was able to use the feedback and comments from the various events to inform and shape the creation of the site masterplan. Our masterplan recognises many of the views of local residents, including the retention and expansion of the existing rail connections, the opportunities for leisure activities, and the provision of healthcare and educational facilities on the site.

Priorities for 2021

We will maintain our long-term commitment to early, detailed public consultation events to ensure effective scrutiny, challenge and support on all future major developments.

We will maintain an effective digital profile through each individual development website to provide the public and interested stakeholders access to up-to-date information about our sites and our emerging masterplans.

We intend to continually widen and diversify the many different stakeholder groups, both national and local, with whom we will work on our developments to support our placemaking ambitions. As well as national and local government, these include: universities, major employers, charities, and environmental groups. We also intend to work with our partners in 2021 to encourage and support our communities and residents to be more active.

We plan to extend our responses to key Government consultation programmes, including low-carbon energy and decarbonising travel and freight. We will provide a consistent company response across a multitude of national and regional Government policy areas that are aligned with our Purpose.

Design Timeline

2018 **Public Consultation**	**September 2018 and October 2018** Discussions regarding ideas for the masterplan and development for the site
2019 **Public Consultation**	**May 2019** Presentation and discussions regarding the proposed masterplan
2019 **Demolition**	**May 2019** Demolition of existing power station commences
2019 **Planning**	**Autumn 2019** Planning application submitted for mineral extraction outline planning application submitted for redevelopment
2022 **Initial infrastructure works**	**Phase 1**
2022 **Phase 1 Construction**	Housing construction commences
2023 **Phase 2 Construction**	**Phase 2**

CASE STUDY 3: INCOME

Our new Head of Income, Richard Bousfield, joined us in February 2020 and oversaw a busy year during which our tenant relationships were key: we collected 96% of the total rent due for the year, despite the economic uncertainty caused by the global pandemic. We were also very busy with acquisition activity to add further income to cover our overheads and banking interest as the business increases in size.

Over the year, we made four income acquisitions. In June, we purchased Thorns Road Industrial Estate in the West Midlands. Close to both Dudley and Stourbridge town centres and less than ten miles from Birmingham City Centre, the 20.5-acre site comprises three fully-let industrial units totalling c. 360,000 sq. ft and generates a passing rent of £1.1m per annum, reflecting a Net Initial Yield of 10.2% and a Reversionary Yield of 12.8%. On completion of the deal, Xandor Automotive entered into a new 15-year lease for the c. 240,000 sq. ft of factory space it currently occupies, whilst also agreeing a short-term lease for an additional c. 15,000 sq. ft unit. Xandor Automotive is a key manufacturer in the West Midlands, supplying plastic injection moulded components and fluid conveyance products for customers in the automotive and commercial vehicle industry including JLR, Ford, Denso and Cummins Engineering. The remaining c. 110,000 sq. ft unit is let to Sunrise Medical Ltd, a leading designer, manufacturer and distributor of mobility products, on a lease expiring in July 2022. The site also includes 4.2-acres of open storage land, providing further asset management and residential development potential.

In June, we purchased a STOR facility in Gloucester. The facility, which sits on 1.28 acres of land, is let to UK Capacity Reserve Ltd (Sembcorp Energy UK Ltd) on a lease expiring in 2040, reflecting a Net Initial Yield of 8.25%. This was followed by another purchase of a STOR facility in Newport, South Wales in September. Harworth is now the landlord to a number of third-party STOR operators across the North of England and the Midlands. STOR facilities provide a source of extra power to the National Grid to help manage demand on the system when it is greater than forecast or when other sources are unavailable, adding significant resilience to the network.

In November, we purchased Saturn Park in Knowsley, Merseyside, a 35.2-acre site adjacent to Junction 4 of the M57. The site is very well-positioned for access to The Port of Liverpool, the M58, M62 and M6 motorways. It provides 416,000 sq. ft. of modern warehouse space across three units with ancillary offices, plus 13 acres of open storage land. There is the potential for further development on 4.25 acres of currently vacant land. There is passing rent of £2.14m per annum reflecting a Net Initial Yield of c.7.7% and a Reversionary Yield of c.9.0%. Harworth will now use its asset management experience to drive further value at Saturn, including refurbishment works.

Total value and yield of income purchases in 2020	• £40.0m reflecting a blended Net Initial Yield of 8.4%

Total income producing Business Space purchases in 2020	• 776,000 sq. ft, split as follows:
	  • Brierley Hill, West Midlands: 360,000 sq. ft (NIY 10.2%)
	  • Saturn Park, Knowsley: 416,000 sq. ft (NIY 7.7%)

Business Space portfolio at 31 December 2020	• Valuation £227.6m • Annualised Rent £15.7m • Vacancy 4.5% • WAULT 12.5 years
Income portfolio at FY 2020 (including Natural Resources)	• Valuation £265.8m • Annualised Rent £19.8m
Source of future acquisitions	• Local and national property agents • Law of Property Act receivers • Adjacent property owners • Corporates within our core regions

The Harworth Way:

Governance

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

Good governance has been built into the foundations of the Harworth approach from the start. We aim to improve continually in these areas and align with industry best practice.

Code	What did we focus on in 2020?	How did it support our strategy?
Board Leadership and Company Purpose	**Purpose and impact on stakeholders.** Having identified a clear statement of purpose in 2019, we have embedded into Board project appraisals a review of the alignment of each project with our purpose and the impact of projects on our key stakeholders. We have achieved this by updating the way projects are presented to the Board (see Division of Responsibilities section below). **Long-term sustainable success.** Notwithstanding the short-term challenges created by the COVID-19 pandemic, the Board has maintained its long-term focus on generating sustainable new places and through the cycle returns for investors. **Culture: the Harworth Values.** Having launched the Harworth Values in 2019, they have been fully embedded into the business during 2020. They are now incorporated into appraisals and remuneration objectives and reflected in internal communications and we have held our first Annual Values Awards. Our positive and collaborative culture has underpinned our successful response to the COVID-19 pandemic, validated by an independent review undertaken by KPMG. **Resourcing** has formed a significant part of the Board's discussions during the year, both in terms of ensuring we have the right people and adequate resources for each project and safeguarding the health and wellbeing of our employees during the pandemic, which has tested the capacity of the business. **Engagement with external and internal stakeholders.** Our stakeholder mapping was updated ahead of Lynda Shillaw's joining as our new Chief Executive and, since her appointment, Lynda has undertaken an extensive programme of engagement (in an exclusively virtual environment) with both external stakeholders and employees. Maintaining the Board's engagement with employees has been challenging with COVID-19 restrictions in place, but we have introduced monthly and informal catch-up calls between small employee groups and our Non-Executive Directors, which have replaced our Board and employee lunches for the time being.	• Our strategy is set to deliver on Harworth's purpose for the benefit of all stakeholders. The Board is clear about our purpose and it plays an important role in Board decision-making. So too does the impact of our activities on our key stakeholders. Having these factors at the forefront of the Board's mind ensures that the objectives of the strategy are delivered. • By prioritising the long-term implications of its decisions, the Board ensures that the strategy delivers sustainable success and value for investors. • Our positive, collaborative and innovative One Harworth culture is a foundation stone for the delivery of our strategy as the business continues to grow. • Our people are our most important asset. Without them the business cannot deliver against its strategy and achieve its purpose. Against the unprecedented backdrop of the COVID-19 pandemic, it has been more important than ever that we resource the business appropriately and look after our people. • **"Taking Pride in Our People and Partnerships"** is one of our core Harworth Values. Its importance is demonstrated in our extensive engagement with employees, who are responsible for delivery on a day to basis, and with our external stakeholders (as to which see The Harworth Way: Partners on pages 64 to 67), particularly the local communities we create and for which we transform our sites into new and sustainable places where people want to live and work.

Code	What did we focus on in 2020?	How did it support our strategy?
Division of Responsibilities	**Board information.** We have overhauled the project business case templates which are presented to Board, to focus Board discussion on purpose, strategy, stakeholders and the Harworth Way. **Senior Independent Director.** Angela Bromfield was appointed as Senior Independent Director in succession to Lisa Clement. **External appointments.** The Board reviewed and approved the appointment of Kitty Patmore as a Non-Executive Director of London Metric Property plc	• The presentation of information helps to frame Board discussions and focus them on these important matters. • The Senior Independent Director performs a key role in supporting the Chair's leadership of the Board to set, and support delivery of, the strategy. She is also available to engage with investors on a variety of matters including the strategy, interacting in any event with them regularly in her role as Chair of the Remuneration Committee. • Having satisfied itself that Kitty would still have sufficient time to meet her responsibilities as Chief Financial Officer, the Board concluded that she would derive valuable experience from this external role which would support the important part Kitty plays in the delivery of the strategy.
Composition, Succession and Evaluation	**Executive Director succession.** In March, Owen Michaelson notified the Board of his intention to retire at the end of 2020. The Nomination Committee led a recruitment process (see the Nomination Committee Report on page 96) culminating in the appointment of Lynda Shillaw as his successor. Lynda joined the business on 1 November 2020 both prior to and after which she undertook an extensive induction process. **Non-Executive Director succession.** The appointment of Lisa Scenna in September represented the culmination of planning for succession ahead of Lisa Clement's retirement in October. Following Andrew Cunningham's decision to step down at the end of October, the Nomination Committee's recent review of Board composition enabled it to identify quickly the skills, experience and knowledge needed from a successor, facilitating an efficient and robust recruitment process and the appointment from a group of strong candidates of Patrick O'Donnell Bourke on 3 November 2020. **Board evaluation.** The Chair conducted an internal Board evaluation in the final quarter of 2020, the findings and actions from which were discussed and agreed by the Board in February 2021 (see the Statement of Corporate Governance on page 91). **Diversity.** The Nomination Committee has continued to lead in monitoring the effectiveness of the initiatives we have in place to improve diversity across the business.	• Our planning for, and execution of, Executive Director succession are critical to ensuring there is a strong management team in place to implement the strategy and deliver the sustainable, long-term success of the business. • The Board's effective planning for and implementation of Non-Executive Director succession, promotion of diversity on the Board, and our regular, in depth Board evaluations all serve to enhance the Board's effectiveness in setting an appropriate strategy and supporting the management team in its delivery. • Promoting diversity, in its widest sense and across the business, helps the business to **"Deliver Creative Solutions"**, another Harworth Value which underpins the delivery of the strategy.

Code	What did we focus on in 2020?	How did it support our strategy?
Audit, Risk and Internal Control	**External auditor's transition.** The Audit Committee oversaw an efficient and effective transition of the external audit role from PwC to EY, despite the challenges posed by COVID-19 restrictions. The feedback from EY to the Committee about the transition was extremely positive. The **Delegated Authorities Policy** was reviewed and updated to focus more of the Board's time on material transactions and strategic debate, with a complementary increase in operational oversight by the executive Investment Committee. **Internal controls and cyber and information security.** KPMG were instructed to undertake an independent review of our response to the COVID-19 pandemic including the effectiveness of our internal controls in a remote working environment. KPMG reported its conclusions to the Audit Committee, which were very positive. Reports were also made by the management team to the Committee on the incidences of cyber-attacks. The frequency of attacks has increased, but our cyber-security systems have been robust and awareness levels maintained by our Information Security Manager. **Insurance.** During the second half of the year, significant time was spent by the management team, with oversight from the Audit Committee, on the 2021 renewal of the insurance programme which, due to unprecedented insurance market conditions, was extremely challenging. Insurance was secured for all sites in the portfolio but subject to materially higher premiums and increased excess levels.	• The Board demonstrates to our investors that the business is successfully implementing an appropriate strategy via robust financial reporting, reinforcing our commitment to all stakeholders to **"Act with Integrity and Trust"**. The external auditor plays a fundamental role in that regard. • The Delegated Authorities Policy ensures that strategic decisions are reserved for the Board and that appropriate rigor is applied at an operational level to decision-making in the delivery of the strategy. • Ineffective risk management and/or internal controls can undermine the best strategy and its successful implementation. The Board has ensured that the components of the Company's risk management and internal controls framework remain effective in what has proved to be a prolonged remote working environment. • The Group's insurance programme plays an important part in reducing the impact of certain inherent risks which might otherwise undermine the delivery of the strategy and/or shareholder returns. In 2021 we are seeking to optimise this programme by enhancing our property risk management framework and further reviewing the structure of insurance cover available in the market.
Remuneration	**Share scheme awards.** Given the economic uncertainty and market volatility caused by the COVID-19 pandemic, the Remuneration Committee deferred the 2020 awards under the Company's Restricted Share Plan and the Share Incentive Plan and the launch of the 2020 Save As You Earn Scheme, until such time as it was satisfied there was sufficient protection from the potential for windfall gains. **Chief Executive remuneration.** Following careful review and consideration, our Remuneration Committee agreed the terms of Owen Michaelson's retirement, having sought the views of the Company's largest shareholders, and set the remuneration for his successor, Lynda Shillaw, considering her previous salary and market reference points. Those remuneration arrangements are disclosed in the Directors' Remuneration Report (pages 109 and 110).	• When considering share scheme awards in 2020 the Remuneration Committee struck a careful balance between the shareholder experience and the need to incentivise the workforce, reward their long-term value creation, and align the interests of investors with those of our employees. • Setting appropriate remuneration for the Executive Directors and senior management ensures that we can attract the best talent to lead the business, as demonstrated by Lynda's appointment as Chief Executive, whilst incentivising and rewarding delivery against the strategy and long-term sustainable success and growth.

Priorities for 2021

We will continue to maintain, and improve where possible, our high standards of corporate governance, with a particular focus on evolving our risk management systems and internal assurance programme to support the continued growth of the business.

In 2021, we have a focus on the governance of the Harworth Way and our ESG approach. We will continue with the ESG Steering Group and we will form a Board ESG Committee. We will set appropriate targets for all key measures and continue collecting baseline data for these. This will enable further disclosure in the 2021 Annual Report.

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

Chris Birch
Group General Counsel and Company Secretary
22 April 2021


Pheasant
Hill Park

Corporate Governance

Multiply Logistics North, Bolton

Chair's Introduction

"Whilst COVID-19 has posed tough challenges I am very proud of how the business has responded, delivering our 2020 objectives in a well controlled and purposeful manner."

Dear Shareholder,

I am pleased to present this year's Corporate Governance Report. It has been the most challenging of years and, as one would expect, much of the Board's time and focus during the period under review has been directed at supporting the Senior Executive Team's navigation of the COVID-19 pandemic. I am pleased to say that Harworth's long-held commitment to high standards of corporate governance has played an important part in our swift and effective response.

In this introduction I outline both the role corporate governance has played in our COVID-19 response and the areas on which the Board has focussed during the period to promote its continued evolution. These are developed in more detail in the Strategic Report (pages 6 to 72) 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 Directors' Remuneration Report, the Directors' Report, and the Statement of Directors' Responsibilities.

In this Corporate Governance Report, references to the Senior Executive Team are to the Executive Directors together with the Chief Operating Officer and General Counsel and Company Secretary. References to the Senior Management Team are to the Investment Committee and Management Board. For further on the division of responsibilities see pages 84 to 87.

The role of corporate governance in our response to COVID-19

Our purpose

The restrictions imposed by Government to tackle COVID-19 have made people much more conscious of their home environment underlining the importance of Harworth's purpose of "creating sustainable places where people want to live and work." So, whilst COVID-19 has posed tough challenges, it has incentivised everyone at Harworth to continue the path we have set out to fulfil our Purpose and deliver benefits for the local communities we create and work alongside.

Our people

In 2019 we defined the "Harworth Values" which underpin our positive and supportive culture. That culture has been the foundation of our COVID-19 response. Our people have drawn on their creativity, worked collaboratively with each other and external stakeholders and remained committed to "doing the right thing" notwithstanding the unprecedented challenges we have faced as an organisation. We are continuing to embed the Harworth Values into the business, incorporating them into appraisals, the setting and scoring of bonus objectives, internal communications, and our programme of recognition throughout the year.

The health and wellbeing of our employees and the external stakeholders with whom we interact have been our priority throughout the pandemic. We have followed Government guidance, implemented "COVID-Secure" measures at all our offices and operational sites, and supported our tenants and contractors in doing the same. Our Mental Health First Aiders have played a particularly important role since the imposition of remote working. They have established a rota of regular calls to all employees. This has proved very successful in identifying employees who have found home working (and in some cases isolation) particularly challenging, and we have funded training for additional MHFAs to maintain the regularity of calls.

Communication and meaningful engagement with our workforce was inevitably more challenging during the pandemic, but it was pleasing to see positive feedback from two employee surveys carried out during 2020 about the regularity and clarity of communication from the Senior Management Team during the period. Whilst the Board was not able to maintain its programme of face-to-face engagement with employees, Non-Executive Directors continued to meet with small groups of employees virtually. We are hopeful that our extensive employee engagement programme can recommence soon "in person" with plans for an Employee Annual General Meeting, but we will increase our programme of virtual engagement if restrictions persist.

Risk management, internal controls and business continuity

The Board and Senior Executive Team have monitored closely the risk profile of the business and ensured that all practical measures were taken to mitigate the impact of COVID-19. The Group Risk Register has remained our principal risk assessment and management tool and was subject to regular review, both by our Management Board and the Board, these reviews being reflected in "real-time" reporting in the FYE'19 annual report and FYE'20 interim results announcement.

During Q4 of 2020 we asked KPMG to review the operational response of the business to COVID-19 including its migration to full-time remote working. KPMG presented a very positive report to the Audit Committee.

Like all businesses, we experienced a spike in cyber-attacks during the pandemic, particularly in the early weeks of enforced remote working. It was testament to the technical and strategic cyber and information security measures we implemented and the general cyber-security awareness we have promoted in the two years prior to COVID-19, that none of these attacks were successful. Our Business Continuity Plan, which had not long since been tested, was also instrumental in the Group's immediate response to the COVID-19 restrictions.

External stakeholders

We are proud of the way our regional and functional teams have collaborated with our stakeholders. For example, our project managers worked with our contractors to ensure all operational sites were "COVID-Secure" whilst also minimising disruption to development projects. Our Business Space team also engaged proactively with tenants to maintain rent collection levels whilst, in a handful of cases, agreeing payment plans or lease re-gears to accommodate temporary cashflow pressures on certain tenants.

Succession and Board composition

The Nomination Committee continued to take the lead on succession planning which once again featured prominently on the Board's agenda in 2020.

In July, the Board was delighted to announce the appointment of Lynda Shillaw as Chief Executive. Lynda joined us in November, succeeding Owen Michaelson who, after 10 years with Harworth, handed over to Lynda and retired from the business at the end of the year.

During the year, two new Non-Executive Directors were appointed to the Board. Lisa Scenna was appointed in September to succeed Lisa Clement, who retired following nine years on the Board. In November we appointed Patrick O'Donnell Bourke as Audit Committee Chair in succession to Andrew Cunningham. Consequent on these two changes, Angela Bromfield was appointed Senior Independent Director and Chair of the Remuneration Committee.

Whilst all recruitment is based on merit, it was pleasing to see the gender diversity in our appointments. We hope this will continue to demonstrate to both existing and prospective employees the Board's commitment to diversity (in its widest sense) at all levels of the business.

Stakeholders – engagement and decision-making

In 2020 the Board continued to monitor the effectiveness of the Company's engagement with its key stakeholders, including its annual stakeholder mapping exercise. We also overhauled our operational Board papers to include a detailed appraisal of how new projects align with our Purpose and the Harworth Way, including their impact on our stakeholders, wider society, and the environment. This has helped to formalise the role of purpose and stakeholder interests in the Board's decision-making process.

In the period since her appointment as Chief Executive, Lynda Shillaw has undertaken an extensive programme of engagement with a wide range of operational stakeholders and investors, building on well-established partnerships across the business.

Audit, risk and internal controls

Given the unprecedented economic and political backdrop, particularly in the early stages of the pandemic, the Board and external auditors have taken an understandably prudent approach to the going concern appraisal of the FYE'20 interim results and audited accounts, modelling multiple, severe downside scenarios to the Board's forecasts, all of which demonstrated the resilience of the business. Notwithstanding that challenging backdrop, the Senior Executive Team and Audit Committee have overseen a successful transition from PricewaterhouseCoopers LLP to the new external auditors, Ernst & Young LLP.

The Senior Executive Team have engaged external consultants to undertake an internal assurance mapping exercise, which will inform a 3-year rolling programme for the review of internal controls. The Audit Committee will oversee, and give final approval to, this exercise.

Board evaluation

As is good practice, I led another internal evaluation of the Board's effectiveness in Q4 of 2020. The key conclusions and action points from that exercise were discussed by the Board in February 2021 and we agreed an action plan to implement the agreed recommendations. We will instruct an external Board evaluation in the second half of this year and report on its findings in the FYE'21 annual report.

Annual General Meeting

Our Annual General Meeting (AGM) will be held at 2:00pm on Tuesday 25th May 2021 at Mercure Sheffield St. Paul's Hotel and Spa, City Suite, 119 Norfolk Street, Sheffield, S1 2JE. At the date of publication of this report, restrictions on public gatherings in England remain in place due to the ongoing pandemic. This means that, as things stand, shareholder attendance at the AGM is not possible. If restrictions ease prior to 25th May 2021, we have contingency plans in place to facilitate shareholder attendance and, in that event, we will make a further announcement ahead of the AGM.

Alastair Lyons
Chair
22 April 2021

Board of Directors and Company Secretary

KEY

N - Nomination Committee
R - Remuneration Committee
D - Disclosure Committee
A - Audit Committee
◯ Chair

Alastair Lyons

Chair

Term of office		
Joined the Board on 7 March 2018. Last re-elected in June 2020		
Length of service	**Independent**	**Committees**
3 years 2 months	Yes	N R

Skills and experience

Alastair is Non-Executive Chair of Welsh Water, Vitality UK, AECS, Admiral's European holding company, and Eaton House Schools. He was Non-Executive 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.

External appointments

Chair of Welsh Water (Dwr Cymru), Vitality UK, AECS, Admiral's European holding company, and Eaton House Schools.

Lynda Shillaw

Chief Executive

Term of office		
Appointed on 1 November 2020		
Length of service	**Independent**	**Committees**
6 months	No	N D

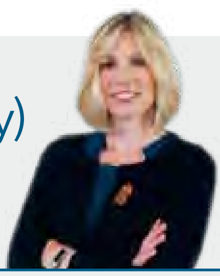
Skills and experience

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 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.

External appointments

Non-Executive Director of The Crown Estate and Vivid Housing Association.

Katerina (Kitty) Patmore



Chief Financial Officer

Term of office		
Joined the Board on 1 October 2019. Elected in June 2020		
Length of service	**Independent**	**Committees**
1 year 7 months	No	D

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 was recently appointed as a Non-Executive Director of London Metric Property plc where she is a member of the Audit Committee.

External appointments

Non-Executive Director of LondonMetric Property plc and Chair of the Investment Property Forum Finance Group.

Angela Bromfield

Senior Independent Director

Term of office		
Joined the Board on 1 April 2019. Last re-elected in June 2020		
Length of service	**Independent**	**Committees**
2 years 1 month	Yes	R N

Skills and experience

Angela is a Non-Executive Director at Marshalls plc, where she is a member of the Nomination, Remuneration and Audit Committees, and at Churchill China plc, where she chairs the Remuneration Committee and is a member of the Audit Committee.

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 and Churchill China plc.

Ruth Cooke

Non-Executive Director

Term of office		
Joined the Board on 19 March 2019. Last re-elected in June 2020		
Length of service	**Independent**	**Committees**
2 years 2 months	Yes	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 years old 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.

Lisa Scenna

Non-Executive Director

Term of office		
Joined the Board on 1 September 2020		
Length of service	**Independent**	**Committees**
8 months	Yes	R A

Skills and experience

Lisa is a Non-Executive Director of Polypipe Group plc, where she is a member of the Nomination, Audit and Remuneration Committees, and of Cromwell Property Group, an Australian listed company, where she chairs the Investment Committee.

Lisa has over 20 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 has also been a director of various public private partnerships, most recently as the Deputy Chair of the Private Infrastructure Development Group.

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 Polypipe Group plc and of Cromwell Property Group, an Australian listed company.

Patrick O'Donnell Bourke

Non-Executive Director

Term of office		
Joined the Board on 3 November 2020		
Length of service	**Independent**	**Committees**
6 month	Yes	A

Skills and experience

Patrick was recently appointed as Chair of Ecofin US Renewables Infrastructure Trust plc which undertook a successful initial public offering in December 2020. He was also Chair of the Audit and Risk Committee and a member of the Nomination and Remuneration Committees of Calisen plc, the former FTSE 250 owner and manager of smart meters, until March 2021 when Calisen was taken private. Until September 2020, he was Chair of the Audit Committee and a member of the Nomination Committee of Affinity Water Limited having been a Non-Executive Director there since 2013.

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, the Northern Ireland based energy group 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.

Steven Underwood

Non-Executive Director

Term of office		
Joined the Board on 2 August 2010. Last re-elected in June 2020		
Length of service	**Independent**	**Committees**
10 years 9 months	No	**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.

Martyn Bowes

Non-Executive Director

Representing the Pension Protection Fund

Term of office		
Joined the Board on 24 March 2015 having previously been a Non-Executive Director of Harworth Estates Property Group Limited from 19 March 2013. Last re-elected in June 2020		
Length of service	**Independent**	**Committees**
6 years 2 months (8 years 2 months including appointment to HEPGL)	No	**None**

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.

Chris Birch

General Counsel and Company Secretary

Term of office		
Appointed on 6 June 2016		
Length of service	**Independent**	**Committees**
Appointed on 6 June 2016	No	**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 Group General Counsel and Company Secretary in June 2016

External appointments

None

Statement of Corporate Governance

The 2018 UK Corporate Governance Code

The Strategic Report explains where the Board has focussed to ensure compliance with the main principles contained within the 2018 Code and how governance has supported delivery of the Company's purpose and strategic priorities (pages 70 to 72).

A copy of the 2018 Code can be found on the Financial Reporting Council's website at https://www.frc.org.uk. The Company has complied with the principles and provisions of the 2018 Code throughout the year ended 31 December 2020. The Company's compliance is demonstrated both in the Strategic Report and in the balance of this Governance Report, as follows:

Section 1	Section 2	Section 3	Section 4	Section 5
Board Leadership and Company Purpose	Division of Responsibilities	Composition, Succession and Evaluation	Audit, Risk and Internal Control	Remuneration
Corporate Governance Statement	Corporate Governance Statement	Nomination Committee Report	Audit Committee Report	Directors' Remuneration Report
Strategic Report	Nomination Committee Report			

Purpose and strategy

In 2019, we developed a succinct expression of Harworth's purpose: *"to transform land and property into sustainable places where people want to live and work."* In 2020, the measures imposed to address the COVID-19 pandemic have brought into sharp focus the importance of, and the value derived from, our delivering on that purpose, with many of us prioritising a need for quality homes and surrounding spaces.

Typically, the Board, together with the Investment Committee, undertakes a formal review of strategy at an annual offsite Strategy Day which is followed by a presentation to, and approval by, the Board of a draft budget (for the following financial year) and a strategic plan (for the following five years). In 2020, the COVID-19 restrictions prevented our holding a Strategy Day in person and, given the impending transition between Chief Executives, we undertook a lighter review of strategy virtually in October before reviewing and approving the 2021 budget in November. Lynda Shillaw, our new Chief Executive, is leading a review of strategy during the first half of 2021 which is anticipated to be a matter of evolution rather than revolution.

The performance of the business is assessed by the Board throughout the year against the approved budget and strategic plan, the Board satisfying itself as to the adequacy of management's response to variations in performance against the plan. Financial and operational reforecasts are presented to the Board periodically and the Chief Executive, Chief Financial Officer and Chief Operating Officer give operational and financial updates at each Board meeting. The performance of the business, and the actions implemented to ensure the health and safety of our staff and those in the other organisations and communities with which we engage, were subject to particularly close scrutiny by the Board during 2020, in particular in the period immediately following the onset of COVID-19 when the uncertainty surrounding its impact was at its height and everyone was adapting to a new way of working.

Culture

The Harworth Values are the principles our employees consider most important when we go about our business and they underpin our One Harworth approach. At Harworth we:

We have navigated COVID-19 as One Harworth, in collaboration with each other and our external stakeholders, by remaining innovative during challenging times, and by always "doing the right thing" notwithstanding unprecedented economic and social turbulence.

We worked hard during the year to embed the Harworth Values into the business including through appraisals, the setting and scoring of bonus objectives, internal communications, and our programme of recognition. They have been at the heart of our response to COVID-19 and we will continue to use our annual staff survey and appraisals to monitor our progress.

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 an important component of the Board's annual timetable.

In 2020 we focussed on embedding the consideration of stakeholder interests into the Board's decision-making process. We overhauled our transaction approval templates, to put purpose and the impact of our projects on our stakeholders at the heart of the Board's appraisal of acquisitions and development projects. We standardised the regional and functional updates given to the Board, so that we can monitor more systematically the societal value, as well as the financial performance, Harworth is delivering across the business.

Our Strategic Report outlines how we engage with our key stakeholders and how the Board has complied with its obligations as set out in section 172 of the Companies Act (pages 64 to 67).

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 preliminary and interim results. The Chair also meets periodically with our largest shareholders.

The Board receives regular feedback from the Company's brokers and the Executive Directors on the views of existing and prospective shareholders. It receives and reviews quarterly reports on the main changes to the composition of the Company's share register and copies of notes prepared by analysts. During the period under review, the Board monitored closely the volatility in the share price driven by COVID-19, and some material changes in the composition of the Company's share register. It was pleasing to welcome a number of new institutional shareholders to the register, including some motivated by Harworth's ESG credentials, and to see the confidence in Harworth's long-term prospects demonstrated by London and Amsterdam Trust increasing its holding to become the Company's largest shareholder.

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 announces all material trading developments, in particular significant site acquisitions and disposals and progress with obtaining planning consent 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 were forced to hold a closed 2020 AGM due to the restrictions on movement imposed during the pandemic, albeit shareholders were given an opportunity to pose written questions to the Board. At the date of publication of this report, public gatherings are prohibited due to COVID-19 restrictions, which means that, as things stand, shareholders cannot attend the 2021 AGM. We are keeping this under review and have contingency plans ready for enabling shareholder attendance if restrictions are lifted.

There have been no material votes against recommended resolutions at recent AGMs. The Board would, wherever practicable, seek to ensure that shareholder views were canvassed 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 2018 Code principles.

Division of responsibilities

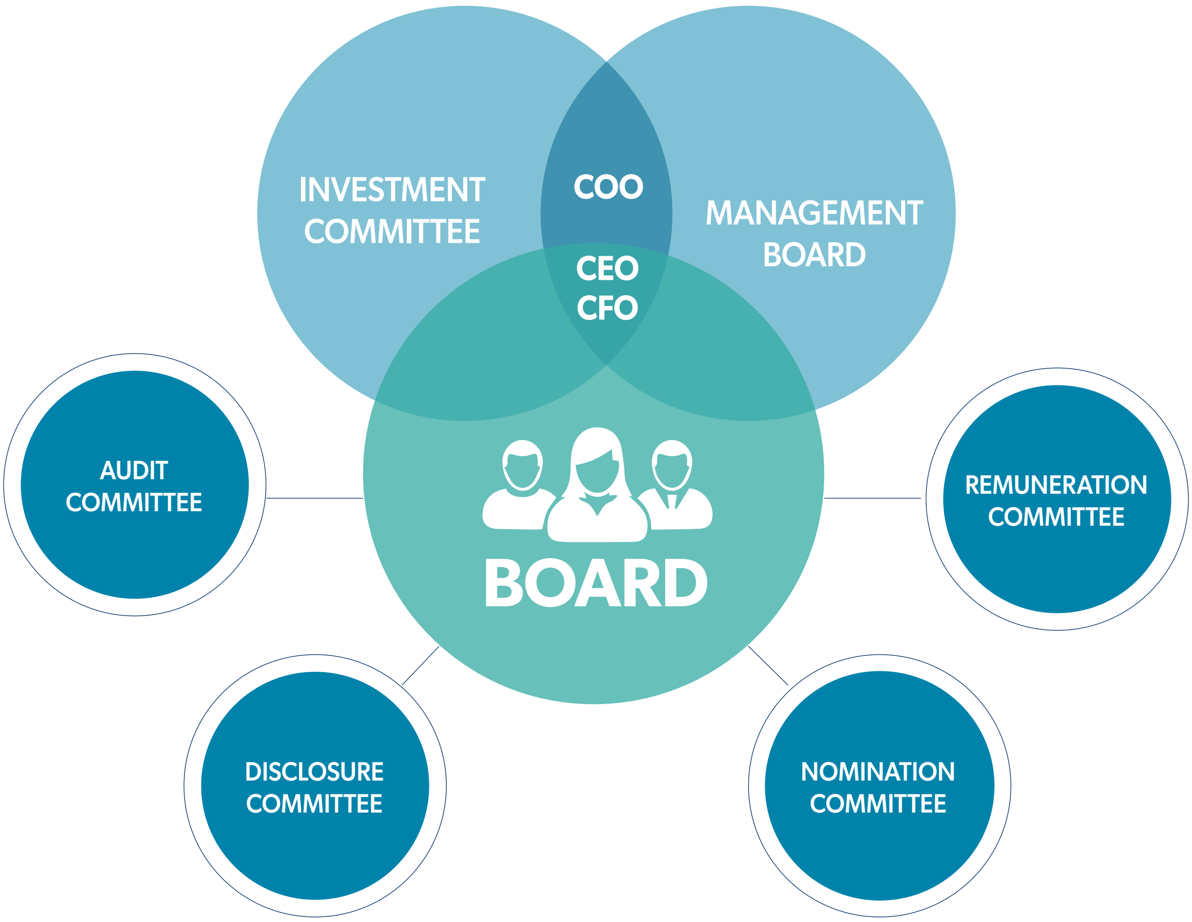
There is a clear division of responsibilities between the Board, its Committees and the Senior Management Team. The Delegated Authorities Policy reserves certain matters for the Board. It also ensures that operational decisions are made at the most appropriate level in the business. It is subject to a thorough review annually, led by the Company Secretary, to ensure that it keeps pace with Harworth's growing and evolving business.

The Board has delegated certain responsibilities to the Remuneration, Audit, Nomination 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 (CEO) 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 CEO appoints the Investment Committee and Management Board to provide the appropriate support to the CEO.

Examples of Board Reserved Matters

Approval of corporate acquisitions and joint ventures	New or material changes to senior debt facilities	How the Company's strategy delivers against ESG principles
Approval of all projects and material changes in project business plans, determined by appropriate financial thresholds	Remuneration Policy, remuneration of Directors and Investment Committee	Approval of accounts, valuations, financial reporting and dividends
Setting strategy and approval of annual budget and strategic plan	Oversight of the performance of the business	Board appointments; external appointments of Directors
Health & Safety Policy	Overall responsibility for risk management and assurance	IT strategy



The key responsibilities of the Board, Committees and roles are summarised in the table below.

Board See pages 78 to 81 for membership	• Establishes Harworth's purpose and helps to formulate a strategy for achieving it. • Stewardship of resources to ensure long-term and sustainable success. • Constructive challenge to the Executive Directors on matters referred to the Board. • Approval of projects and material changes to project business plans. • Scrutinises the performance of the business against the strategy, agreed objectives and targets. • Determines risk appetite, monitors risk profile and risk management systems. • Ensures an appropriate governance framework operates to support implementation of the strategy. • Oversight of health and safety management and reporting. • Approval of interim and annual financial results. • Dividend policy. • Ensures the Company's strategy delivers against ESG principles and monitors performance against these principles • Promotes a culture that is aligned with the Company's purpose and strategy. • Ensures appropriate engagement with employees, the communities around Harworth's projects and other key stakeholders. • Ensures there is appropriate regard for the impact of Harworth's projects and activities on the environment and key stakeholders.
Nomination Committee *Alastair Lyons (Chair)* *Angela Bromfield* *Lynda Shillaw*	• Reviews the size, composition and balance of the Board and its Committees. • Oversight of succession planning for the Board and Investment Committee. • Leads the process for Board appointments. • Oversight of progress in improving diversity across the business. • Reviews proposals for external appointments of Directors.
Audit Committee *Patrick O'Donnell Bourke (Chair)* *Ruth Cooke* *Lisa Scenna*	• Reviews the integrity of the annual report, preliminary and interim results announcements and any other announcements relating to financial performance. • Reviews the effectiveness of internal controls and processes. • Reviews and approves placement and renewal of the insurance programme. • Reviews the terms of appointment, independence, effectiveness and remuneration of the external auditors and leads any tender process for the appointment of external auditors. • Reviews the effectiveness of and compliance with policies and procedures for promotion of financial security and business ethics, the detection of fraud and the prevention of bribery and modern slavery. • Reviews ongoing compliance with the General Data Protection Regulation (GDPR). • Reviews the effectiveness of the cyber and information security strategy and measures, and of business continuity plans and procedures.
Remuneration Committee *Angela Bromfield (Chair)* *Alastair Lyons* *Lisa Scenna*	• Determines and agrees with the Board the Company's Remuneration Policy. • Determines the salaries, bonuses, long-term incentive arrangements, pension arrangements, other benefits and contract terms of the Executive Directors and members of the Investment Committee. • Determines the fee payable to the Chair (with the Chair recused). • Reviews the remuneration approach adopted for all employees. • Approves grant of options under the Restricted Share Plan, Save-As-You-Earn Scheme and Share Incentive Plan. • Undertakes a biennial review of benefits available to all employees. • Approves changes to certain material employment policies.
Disclosure Committee *Kitty Patmore (Chair)* *Lynda Shillaw* *Chris Birch*	• Ensures compliance with disclosure obligations under the Market Abuse Regulation and the FCA's Listing Rules and Disclosure Guidance and Transparency Rules.

Chair of the Board

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 strategy and objectives.
- Ensures that a fixed schedule of matters is maintained for the Board's review and approval.
- Sets the annual programme and meeting agendas.
- Facilitates a constructive relationship between the Non-Executive Directors and the Investment Committee.
- 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.
- Ensures that the Board identifies key stakeholders, that there is appropriate engagement with them, and their interests are considered when decisions are made.
- 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 strategy which, once agreed by the Board, falls to the CEO to implement.
- Leads the establishment and maintenance of Harworth's culture.
- Responsible for the design of Harworth's operational structure.
- Responsible for formulation and implementation of Harworth's People Strategy and for effective internal communications.
- Leads and chairs the Investment Committee and Management Board.
- Oversight of operational risk management, including health and safety.
- Ensures that the Board is appraised of all material matters and that Board decisions are implemented.
- Responsible for Harworth's relationships with shareholders and for effective engagement with key stakeholders.
- Responsible for ensuring the Group's strategy delivers against ESG principles.
- Leads on M&A and portfolio acquisitions.

Chief Financial Officer

Kitty Patmore

- Leads on all financial matters, including tax and treasury.
- Responsible for preparing the annual budget and strategic plan.
- Responsible for all statutory financial reporting, including the preparation of the interim and year-end financial statements.
- Responsible for formulating the Group's funding strategy and raising new equity and debt capital.
- Leads on investor relations and for designing the communication of performance to investors.
- Responsible for the financial analysis of all major transactions including acquisitions, sales and capital investments.
- Leads on the formulation of, and monitoring performance against, how the Company's strategy delivers against ESG principles.
- 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

Ian Ball

- Responsible for all operational matters and the effectiveness of Harworth's regional structure in delivering the agreed business plan.
- Ensures there are appropriate resources across the business to implement the strategy and deliver the business plan.
- Leads the year-end valuation process.

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.

Group General Counsel and Company Secretary

Chris Birch

- Secretary to the Board and its Committees.
- Ensures that all Board reserved matters are referred to the Board for review and approval.
- Advises on regulatory compliance and corporate governance.
- Leads on risk management.
- Prepares Board and Committee agendas and collates and distributes papers.
- Available to advise the Directors on all legal and compliance matters.
- Leads on 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.
- Responsible for insurance, IT strategy, cyber and information security, business continuity planning and GDPR compliance.
- Provides legal support on operational matters and manages the legal panel.
- Manages the Estates, Environment and Safety team.

Investment Committee

Lynda Shillaw (Chair)
Kitty Patmore
Ian Ball
Chris Birch
Peter Henry (Regional Director)
Steven Knowles (Regional Director)
David Cockroft (Regional Director)
Richard Bousfield (Head of Income)
Tim Love (Director, Central Services)

- Supports the Chief Executive in the formulation and implementation of the strategy.
- Responsible for capital allocation and deployment.
- Reviews all material projects and transactions including matters reserved for the Board before they are presented for approval.
- Reviews the performance of the business against agreed key performance indicators.

Management Board

As for Investment Committee above plus:

Catherine Macdonald (Head of People)

John Hind (Associate Director, Estates Environment and Safety)

Chris Warren (Associate Director, Natural Resources)

Andrea Morley (Associate Director, Business Space)

Tom Loughran (Head of Investor and Stakeholder Relations)

David Elliott (Director, Building Delivery)

Stefan Morgan (Technical Director)

Dougie Maudsley (Financial Controller)

- Provides leadership of each operating division and function.
- Ensures effective communication and collaboration between all operating divisions and functions.

*The table above reflects roles and membership of Committees as at the date of this Annual Report. Changes which were effected during 2020 or the early part of 2021 are identified in the Committee reports.

Board activities in 2020*

*The table below excludes the monthly updates given by the CEO, CFO, COO, Company Secretary and Head of Investor and Stakeholder Relations and the transactions reviewed by the Board during the year. There are no Board meetings scheduled for August or December.

KEY: STRATEGY | OPERATIONS | GOVERNANCE | FINANCE | STAKEHOLDERS | RISK | BOARD | PEOPLE

JANUARY

- Annual health and safety review
- Annual review of risk appetite, profile and management
- Indicative FYE'19 results: preliminary review of investor messages
- Employee engagement and annual employee survey results
- Briefing on political backdrop following General Election
- Share price and share register analysis
- Committee membership

FEBRUARY

- FYE'19 preliminary results and final dividend
- Feedback from internal Board evaluation
- Resourcing

MARCH

- COVID-19: operational review
- COVID-19: financial review
- COVID-19: impact on employees
- COVID-19: stakeholders (supply chain and tenants)
- COVID-19: review of risk profile and management
- COVID-19: site safety
- Latest draft of FYE'19 Annual Report
- Feedback from preliminary results investor roadshow

APRIL

- COVID-19: operational review
- COVID-19: financial review and FYE'19 final dividend
- Trading update announcement
- Share price and share register analysis

MAY

- FYE'20 reforecast
- COVID-19: operational update
- Talent Management and People Development
- FYE'19 Annual Report: final sign-off
- Changes to bank facilities

JUNE

- COVID-19: operational update
- Central Services divisional update
- Review of investor relations plan in light of COVID-19
- Appointment of Lisa Scenna
- Andrew Cunningham – external appointment
- Modern slavery statement
- Update on IT strategy, cyber and information security

JULY

- Appointment of Lynda Shillaw
- Review of risk profile and management
- Share price and share register analysis
- Mixed tenure on residential developments
- Virtual employee lunch
- Insurance market update
- Embedding ESG principles in our strategy

SEPTEMBER

- Review of strategy
- FYE'20 reforecast
- FYE'20 interim results and interim dividend
- Income Generation divisional update
- North West regional update
- Senior Independent Director appointment – Angela Bromfield
- Virtual employee lunch

OCTOBER

- Midlands regional update
- Annual stakeholder review
- Waverley project update
- Feedback from interim results investor roadshow
- Share price and share register analysis
- Appointment of Patrick O'Donnell Bourke
- Virtual employee lunch

NOVEMBER

- FYE'21 Budget
- 2021 investor relations plan
- Yorkshire and Central regional update
- Kitty Patmore external appointment

KEY AREAS OF FOCUS IN 2021

Review of the business and implications for future value creation and delivery of **ESG principles**

Our people: engagement, welfare, talent development and diversity

The development by the new CEO of **effective relationships** with shareholders and key external stakeholders

Post-COVID-19 **operational performance**

External Board evaluation

Remuneration Policy review

External appointments

Upon appointment, each Director is required to notify the Company Secretary of his or her 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.

Ahead of the appointments of Lynda Shillaw, Lisa Scenna and Patrick O'Donnell Bourke the Board was notified of their existing external appointments and the time commitment involved for each appointment. In all cases the Board was satisfied that these existing commitments would not adversely affect each director's board responsibilities and carried a low (if any) risk of actual or potential conflicts of interest which, if they arose, could be managed (see below).

During the year, the Board also approved Kitty Patmore's appointment as a Non-Executive Director of LondonMetric Property plc, having been satisfied that this appointment would assist in her development, would not intrude on Kitty's capacity to discharge her responsibilities as Chief Financial Officer, and would give rise to no more than a low risk of actual or potential conflicts of interest which, if one arose, could be managed (see below).

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 2020.

Steven Underwood is Chief Executive of the 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. Steven Underwood has previously declared by way of general notice, and the Board has approved, a potential conflict of interest in that regard. During 2020 no conflicts of interest arose.

Prior to his resignation, Andrew Cunningham had previously declared by way of general notice, and the Board had approved, potential conflicts of interest arising from his appointment as a Non-Executive Director of The Banks Group with whom Harworth had certain contractual relationships. During 2020 no conflicts of interests arose.

Prior to his retirement, Owen Michaelson had previously declared by way of general notice, and the Board had approved, potential conflicts of interest arising from his appointment as a member of the Board of the Sheffield City Region Local Enterprise Partnership. During 2020 no conflicts arose.

Induction and ongoing support

Inductions

The Company Secretary oversees the delivery of a comprehensive and tailored induction programme for all new Directors. Inductions were delivered for Lisa Scenna, Lynda Shillaw and Patrick O'Donnell Bourke when they joined the Board in September (Lisa) and November (Lynda and Patrick), respectively. For all three this included:

- provision of a detailed induction pack ahead of their appointments taking effect;
- briefings from the Chair, the Chief Executive, Chief Financial Officer, Chief Operating Officer and Company Secretary;
- a series of one-to one meetings with members of the Senior Management Team; and
- site visits, where these could be compliant with COVID-19 restrictions.

Both Lynda and Patrick met with Ernst & Young, the Company's external auditor, and BNP Paribas and Savills, the Company's valuers.

In addition, Lynda met weekly (and virtually) with the incumbent Senior Executive Team ahead of her appointment as well as at regular intervals with the Chair, and, in the weeks immediately following her appointment, undertook an intensive programme of introductory meetings with a range of stakeholders.

Knowledge of business and markets

To give constructive challenge and support to the Senior Management Team, 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, albeit these were curtailed by COVID-19 restrictions in 2020 and to date in 2021;
- annual health and safety updates from the head of our Estates Environment and Safety 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:

- Board packs include external CPD briefings for 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; and
- Directors are made aware of, and have the opportunity to attend, external CPD updates.

The lakes and open space at Waverley

Board and Committee meetings

*There were 10 regular Board meetings scheduled during 2020 and three additional meetings held during the year. There were also Board calls to sign-off the 2019 preliminary results and 2020 interim results and a virtual Strategy Day during the year, which are not reflected in the table below.

	Meetings attended			
	Board	RemCo	AuditCo	NomCo
Alastair Lyons	13/13	5/5		4/4
Lynda Shillaw *(appointed 1/11/20)*	1/1			0/0
Kitty Patmore	13/13			
Angela Bromfield	11/13	5/5	6/6	4/4
Ruth Cooke	13/13		8/8	
Lisa Scenna *(appointed 1/9/20)*	2/2	2/2	2/2	
Patrick O'Donnell Bourke *(appointed 3/11/20)*	1/1		2/2	
Steven Underwood	12/13			
Martyn Bowes	13/13			
Owen Michaelson *(left 30/10/20)*	12/12			
Lisa Clement *(left 30/10/20)*	11/12	4/4		
Andrew Cunningham *(left 30/10/20)*	12/12		6/6	3/3

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, Chief Operating Officer, Company Secretary, Head of Investor and Stakeholder Relations and Associate Director of Estates, Environment and Safety.

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.

Board evaluation

The Board undertakes annual evaluations of its effectiveness and 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. An externally facilitated evaluation was last undertaken in 2018. The Chair conducted internal evaluations in 2019 and 2020. These took the form of online questionnaires completed by all Directors, with responses collated to inform one-to-one meetings between the Chair and each Director. The findings of the 2020 internal evaluation were reported to the Board in February this year with actions agreed for implementation in 2021. Some examples of the agreed actions are listed below.

2020 internal evaluation	
Theme	**Actions agreed**
Stakeholder engagement	More use should be made of existing relationships held by Non-Executive Directors with key stakeholders.
Board reserved matters	The Delegated Authorities Policy should be updated to focus more of the Board's time on material transactions and strategic debate, with a complementary increase in operational oversight by the Investment Committee. This has been actioned.
Board meetings	The frequency of Board meetings should remain subject to review, and consideration should be given to whether meetings could be restructured, where possible, to run through an afternoon, followed by a Board dinner, and completing the following morning (once face-to-face meetings can resume). Opportunities to hold smaller informal meetings between Directors should also be explored. A regular item should be added to the Board agenda for discussion of pre-selected strategic topics, which may also be used from time to time to bring external input to the Board from key stakeholders.
External reporting	The design and content of investor presentations should be reviewed, with a focus on improving the explanation of the strategic direction of the business.
Succession planning and retention	The Board's annual review of talent management should be expanded to consider the effectiveness of development plans for key employees.
Internal control	Internal assurance mapping should be undertaken and, following the Audit Committee's annual review of the system of internal controls, the Audit Committee Chair should report on the same to the Board.

An externally facilitated Board evaluation will be undertaken in the second half of this year, the details of which will be reported in the FYE'21 Annual Report.

An evaluation of the Chair's performance is led annually by the Senior Independent Director, in addition to the feedback given on the Chair's leadership during the external Board evaluation. The Senior Independent Director and other Non-Executive Directors met in March 2020 to review his performance. Following that review, the Senior Independent Director considered and discussed with the Chair the comments and feedback that had been 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 Investment Committee twice a year.

Annual General Meeting

Typically, the Notice of AGM is sent to shareholders at least 20 working days before the meeting. We were not able to meet that deadline in 2020 due to the practical constraints caused by COVID-19, albeit shareholders were given notice in accordance with the Companies Act. This year we are reverting to the longer period of notice recommended in the Financial Reporting Council's Guidance on Board Effectiveness.

At the date of publication of this report, restrictions on public gatherings remain in place, which means that, as things stand, shareholders cannot attend the 2021 AGM. If those restrictions persist, the Board encourages shareholders to exercise their right to vote at the AGM by appointing the Chair of the meeting as their proxy and directing him or her how to vote on each resolution. The resolutions to be proposed at the meeting, together with the explanatory notes, appear in the separate Notice of Annual General Meeting accompanying this Annual Report. The Notice is also available on our website.

Separate resolutions are proposed on each substantially separate issue. 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 is withheld for each resolution, together with the voting result, are given at the meeting and made available on our website. A vote withheld is not counted in the calculation of the proportion of the votes for and against a resolution.

If any shareholder had intended to ask a question at the AGM, but cannot attend, we encourage them to email their question to investors@harworthgroup.com to which we will respond in writing. If there are multiple questions on a common theme, we will post a response on our website.

Alastair Lyons
Chair
22 April 2021

Nomination Committee Report

Committee members

Alastair Lyons (Chair) | **Angela Bromfield** | **Lynda Shillaw**

The terms of reference of the Nomination Committee are on the Company's website: https://harworthgroup.com/investors/governance/

Alastair Lyons

Chair

Priorities for 2021:

- Establish the ESG Committee of the Board.
- Ongoing review of effectiveness of initiatives to promote diversity across the business including review of recommendations to be made by the People Steering Group.

Dear Shareholder,

I am pleased to report to shareholders on the work of the Nomination Committee during the year ended 31 December 2020. It has been another busy year with the recruitment of a new Chief Executive and two new Non-Executive Directors.

The Committee's terms of reference were reviewed during the year and some minor amendments were made to them. Throughout 2020 the Committee has acted in accordance with the principles of, and fulfilled its obligations under, the 2018 UK Corporate Governance Code.

Membership and meetings

I continued to chair the Committee throughout 2020. Recognising that a part of the Committee's work in 2020 would be to identify and appoint her successor given her planned retirement in the autumn, Lisa Clement stepped down from the Committee at the start of the year and was replaced by Angela Bromfield. Andrew Cunningham remained a member of the Committee until he stepped down from the Board at the end of October 2020 but played no part in the recruitment of his successor. Lynda Shillaw, our new Chief Executive, replaced Andrew on the Committee from the beginning of November.

Typically, the Committee meets at least once a year to review succession and development planning for the Board and Investment Committee and to review the effectiveness of the initiatives we have introduced to improve diversity throughout the business. Given that three active recruitment processes were undertaken during 2020, the Committee held a series of meetings throughout the year at which candidates were appraised and the Committee agreed upon preferred candidates for recommendation to the Board.

Membership and attendance at meetings in 2020 are shown below:

		Independent	Committee tenure at 31 December 2020	Scheduled meetings attended/ eligible to attend
Alastair Lyons	Chair	Yes	3 years 2 months	4/4
Angela Bromfield	Member	Yes	1 year	4/4
Lynda Shillaw*	Member	No	2 months	0/0
Andrew Cunningham**	Member	Yes	4 years 7 months	3/3

*Lynda replaced Andrew Cunningham on 1 November 2020. No Committee meetings were held in 2020 after her appointment to the Committee.
**Andrew stepped down from the Board on 31 October 2020. He did not attend any meetings at which the appointment of his successor was discussed.

The key activities of the Committee during 2020 are shown below:

RECRUITMENT	BOARD COMPOSITION AND SUCCESSION	DIVERSITY	EXTERNAL APPOINTMENTS

Recruitment process for successor to Owen Michaelson culminating in the appointment of Lynda Shillaw who joined the Board as Chief Executive at the beginning of November
Recruitment process for successor to Lisa Clement culminating in the appointment of Lisa Scenna who joined the Board as Non-Executive Director in September
Recruitment process for successor to Andrew Cunningham culminating in the appointment of Patrick O'Donnell Bourke who joined the Board as Non-Executive Director and Chair of Audit Committee in November
Review of Board and Committee composition including the appointment of Angela Bromfield as Senior Independent Director and Chair of Remuneration Committee
Review of proposed external appointments for Andrew Cunningham and Kitty Patmore
Review of succession plans for the Board and Investment Committee
Review of progress in improving diversity across the business

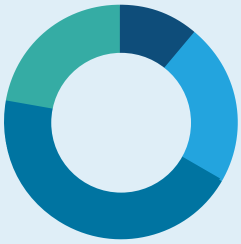
Board and Committee composition, succession planning and recruitment

The Board comprises the Chair, who is considered independent, the Chief Executive, the Chief Financial Officer and six Non-Executive Directors, two of whom are not considered independent.

Analysis of the composition of the Board and Investment Committee (at the date of this report) is shown below. The Directors' biographies appear on pages 78 to 81. Analysis of gender diversity on the Board, and across the workforce, is detailed later in this report.

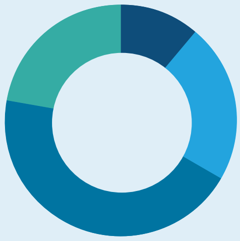
Board

Composition



- Chair (independent)
- Executive Directors
- Independent Non-Executive Directors
- Non-Executive Directors (not independent)

Age



- 30-40 years
- 41-50 years
- 51-60 years
- 61-70 years

Tenure

- Less than 1 year
- 1-3 years
- 3-6 years
- 6-10 years

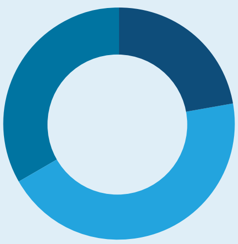
*Martyn Bowes is the representative of the Pension Protection Fund, which holds 25% of the Company's shares, and he is not, therefore, independent. Steven Underwood was, but is no longer, the representative of the Peel Group, which also has a material shareholding. Having previously been a representative Director and still being connected to a material shareholder, Steven is not considered independent.

Board tenures

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Alastair Lyons:											
Lynda Shillaw:											
Kitty Patmore:											
Angela Bromfield:											
Ruth Cooke:											
Lisa Scenna:											
Patrick O'Donnell Bourke:											
Steven Underwood:											
Martyn Bowes:											

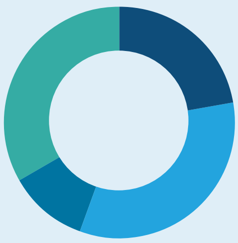
Investment Committee

Age



- 30-40 years
- 41-50 years
- 51-60 years

Tenure



- Less than 1 year
- 1-3 years
- 3-6 years
- 6+ years

The composition of the Board and its Committees is reviewed regularly by the Committee to ensure that, in each case, membership comprises appropriate diversity and balance of skills, knowledge, and experience and includes the right number of independent Directors. That review takes account of the output from the annual Board evaluation. A review of Board and Committee composition informed the recruitment processes led by the Committee for Lisa Clement's successor, in the first half of 2020, and for Andrew Cunningham's successor, in the second half of the year.

Having regard to all the above-mentioned matters, the Board considers that the composition of the Board is appropriately balanced, and we are particularly proud of the gender balance we have achieved on the Board. Membership of the Committees is also compliant 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 pages 130 and 131.

Succession – Executive Directors

The Committee undertakes a regular (typically annual) review of the succession plans for the Executive Directors.

On 17 March 2020, the Company announced that Owen Michaelson would retire on 31 December 2020. Following that announcement, the Committee initiated a previously agreed succession plan for the role of Chief Executive.

The Company appointed Thomas Cole Kinder (TCK) to conduct a search and recruitment process. The Company does not retain TCK in any other capacity and it has no other connection with the Company. In conjunction with TCK, the Committee prepared the specification and selection criteria for the role.

TCK identified a "long-list" of candidates. Following a review of that "long-list" by the Committee and a meeting with TCK, a "short-list" of candidates, both external and internal, was identified. The Committee interviewed all candidates on the "short-list" virtually, pursuant to which a preferred candidate was identified who then had virtual or COVID-Secure meetings with the Committee, other Non-Executive Directors and members of the Senior Executive Team.

This process culminated in the Committee recommending, and the Board resolving to make an offer to, Lynda Shillaw for the role. Upon Lynda accepting the offer and the Board taking up references, her appointment was announced on 30 July 2020. Lynda's appointment took effect on 1 November 2020, at which point Owen Michaelson stepped down from the Board, but remained with the business as a director of the Group's principal trading subsidiaries, until 31 December 2020 to facilitate an effective handover.

Lynda undertook a comprehensive and tailored induction programme ahead of her appointment, details of which are set out in the Corporate Governance Statement on page 90.

Succession – Non-Executive Directors

In anticipation of Lisa Clement's retirement towards the end of 2020, the Committee began to plan for her succession towards the end of 2019 and, in January 2020, commenced a process to identify and appoint her successor. The Company appointed Warren Partners to conduct a search and recruitment process. The Company does not retain Warren Partners in any other capacity and it has no other connection with the Company. In conjunction with Warren Partners and informed by a review of the balance of skills, knowledge, and experience on the Board, the Committee prepared the selection criteria and specifications for the role, including the need for candidates to demonstrate experience to support their joining the Audit and Remuneration Committees on appointment. Warren Partners identified a "long-list" and then, following a review by the Committee and interviews undertaken virtually by Warren Partners, a "short-list" of candidates. The Committee and Chief Executive (Owen Michaelson at that time) interviewed all candidates on the "short-list" virtually, pursuant to which, following a COVID-Secure meeting in person with a majority of the Nomination Committee, Lisa Scenna was identified as the preferred candidate. She met virtually with the Chief Financial Officer and other Non-Executive Directors during June 2020. At the end of June 2020, the Board approved Lisa's appointment, which took effect on 1 September 2020.

At the beginning of September 2020, Andrew Cunningham informed the Board that he wished to step down as a Non-Executive Director. Having worked closely and effectively with Warren Partners in the first half of 2020, the Company appointed the same firm to conduct a search for Andrew's successor, both as Non-Executive Director and Chair of the Audit Committee. A similar recruitment process was undertaken to that resulting in Lisa Scenna's appointment, save that virtual interviews of short-listed candidates were undertaken by Alastair Lyons and Angela Bromfield, in their capacity as Committee members, together with Lisa Clement, who agreed to defer her retirement to the end of October 2020 and, as a former member of the Committee and a previous Audit Committee Chair at Harworth, to participate in the recruitment process, Lynda Shillaw, ahead of her appointment as Chief Executive, and Kitty Patmore as Chief Financial Officer. At the beginning of November 2020 and on the Committee's recommendation, the Board approved Patrick O'Donnell Bourke's appointment as a Non-Executive Director and Chair of the Audit Committee. His appointment took effect on 3 November 2020.

Both Lisa and Patrick undertook comprehensive induction programmes following their appointments, details of which are set out in the Corporate Governance Statement on page 90.

Senior Independent Director and Committee appointments

At the end of 2019, the Committee had recommended to the Board, and the Board had approved, the appointments of Andrew Cunningham as Senior Independent Director and Angela Bromfield as Chair of the Remuneration Committee, in succession to Lisa Clement, which appointments were to take effect from 1 October 2020 following Lisa's planned retirement on 30 September 2020.

Angela Bromfield has succeeded Lisa Clement as Chair of the Remuneration Committee as planned, albeit from 1 November 2020 following the short deferral of Lisa's retirement to the end of October 2020.

Following Andrew Cunningham's decision to step down from the Board, the Committee recommended to the Board that Angela Bromfield be appointed as Senior Independent Director, given her breadth of experience as an independent Non-Executive Director. The Board approved Angela's appointment as Senior Independent Director at the end of September 2020 to take effect on 1 November 2020.

As planned, Lisa Scenna joined the Remuneration Committee in September and the Audit Committee in November 2020, the latter appointment enabling Angela Bromfield to step-down from the Audit Committee so that she could commit the appropriate time to her new roles as Senior Independent Director and Chair of the Remuneration Committee.

Finally, at the beginning of November the Board also approved Lynda Shillaw's appointment to this Committee in succession to Andrew Cunningham.

Investment Committee

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

Multiply Logistics North, Bolton

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 his or her role at Harworth, together with the prospect of conflicts of interest arising. The Board makes a final decision on all new external appointments.

During 2020 the Committee reviewed proposed appointments of Andrew Cunningham, as a Governor of Newcastle College Corporation, and Kitty Patmore, as a Non-Executive Director of London Metric Property plc. Those appointments were recommended to, and approved by, the Board. Prior to her appointment, the Committee agreed that Lynda Shillaw could retain, following her appointment at Harworth, her existing appointments as a Non-Executive Director at Vivid Housing Limited and The Crown Estate.

Diversity 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. Like much of the real estate and construction sectors, achieving that objective is a significant 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 we are making. A review is undertaken annually, the results of which are reported to the Board.

We have published our gender pay gap statistics since 2017 despite not being obliged to, as the Board feels it is important to have a transparent benchmark against which to measure our progress. We have published the same analysis again in respect of 2020 below, alongside the comparative results for 2019.

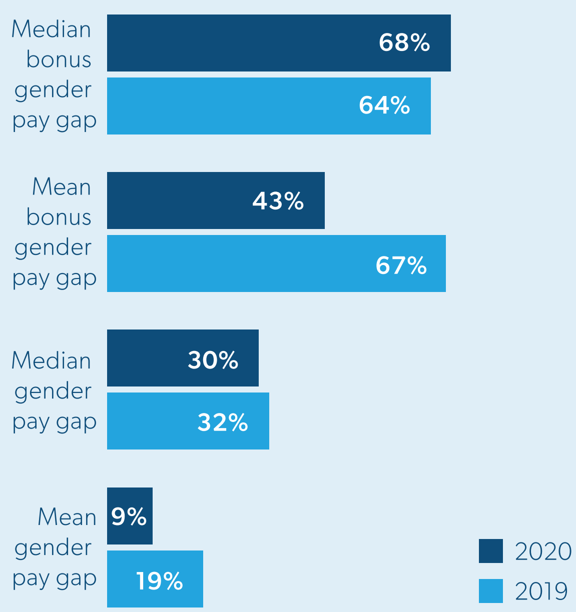
Gender pay gap analysis

In each case the reference point is 31 December

Proportion of men & women in each quartile band

	Lower quartile		Lower middle		Upper middle		Upper quartile	
	2020	2019	2020	2019	2020	2019	2020	2019
Males	53%	64%	53%	53%	72%	83%	88%	88%
Females	47%	36%	47%	47%	28%	17%	12%	12%

Gender pay gap analysis



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, nor the Board's commitment to, reducing it as quickly and effectively as we can.

Following Kitty Patmore's appointment as Chief Financial Officer towards the end of 2019, there have been material reductions in our gender pay gap during 2020 across three of the reported measures, and we expect that trend to continue following the appointment in 2020 of Lynda Shillaw as Chief Executive. Whilst leadership by two female Executive Directors is extremely encouraging, we recognise that we have more to do to improve female representation throughout the business, particularly at other senior levels, and this is reflected in the slight increase in our median bonus gender pay gap measure.

Promoting a diverse workforce

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:

- We adopted a new Diversity and Equal Opportunities policy in 2018 which addresses diversity more explicitly, gives it the prominence it merits, and reflects the proactivity with which the Board is looking to address the diversity challenge.
- Diversity is an active and important consideration in the Committee's succession plans for the Board and Investment Committee: 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 pre-condition of candidate long-lists prepared by recruitment consultants for all roles.
- We have an established talent development programme (see more in the Strategic Report at pages 61 and 62) which, amongst other things, is designed to create strong internal succession wherever appropriate.
- Measures were already in place ahead of the COVID-19 outbreak to facilitate remote and flexible working and the events of the past year have highlighted the potential benefits of such different working practices. They open up roles to a wider range of internal and external candidates regardless of their personal circumstances.
- We have enhanced maternity, paternity and adoption pay policies, which are subject to regular review.
- Six of our employees (6.3%) work part-time, whether that be a reduced number of days or reduced hours every day.

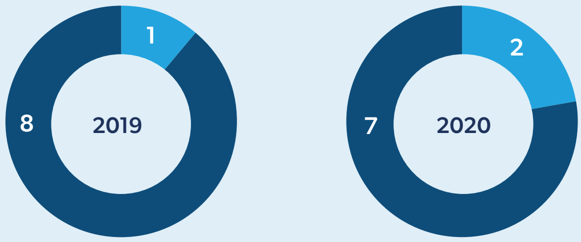
Assessing the diversity of our workforce

*For consistency, where comparisons are given between 2020 and 2019, in each case the position reflected is at 31 December.

Board gender balance

Female Male

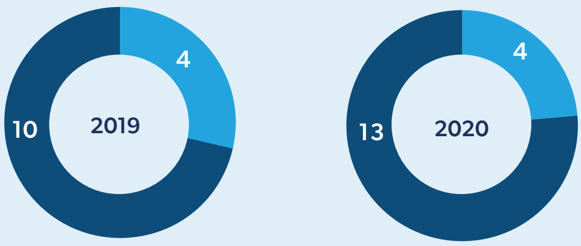
Investment Committee



*Includes Executive Directors

Female Male

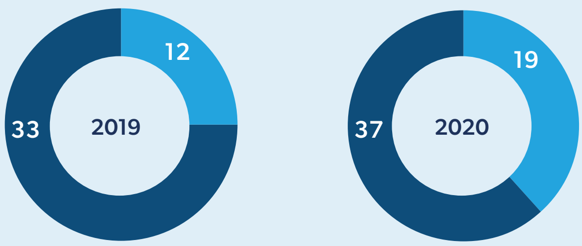
Management Board



Female Male

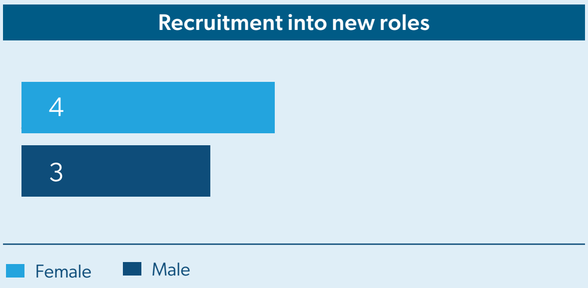
* Includes Investment Committee

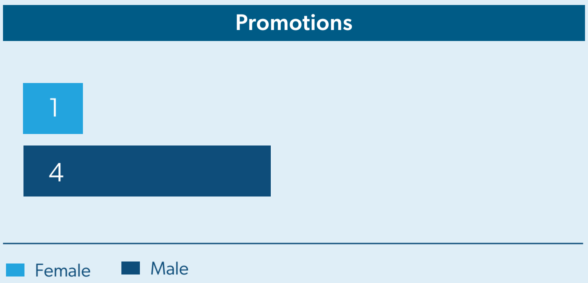
Wider workforce 2020

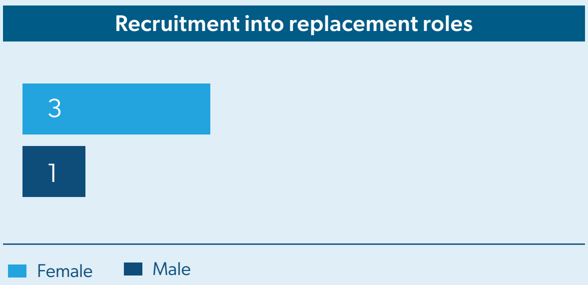


Female Male

* Excludes Management Board







We are pleased to have achieved gender balance on the Board and across the Senior Executive team but recognise that more work is needed to accelerate gender rebalancing across the wider Senior Management Team and workforce. We are hopeful that leadership by two female Executive Directors 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. We are also mindful that we have only made some very modest steps with regard to ethnic diversity in the business and have a long way to go in this regard. To these ends, our People Steering Group (PSG) will spend time in 2021 considering what more can be done to promote diversity (in its widest sense) across the business. There is more information on the purpose, composition and work of the PSG in the Strategic Report on pages 58 to 63.

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 78 to 81. The Nomination Committee has concluded that all Directors seeking election or 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 his or her 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 election and re-election of those Directors seeking election or re-election at the Annual General Meeting to be held on 25 May 2021.

Alastair Lyons
Chair
22 April 2021

Audit Committee Report

Committee members

Patrick O'Donnell Bourke (Chair)

Ruth Cooke

Lisa Scenna

The terms of reference of the Audit Committee are on the Company's website: https://harworthgroup.com/investors/governance/

Patrick O'Donnell Bourke

Chair

Dear Shareholder,

I am pleased to present my first Audit Committee report as Chair of the Committee, this being for the year ended 31 December 2020. The report sets out the Committee's responsibilities and highlights the Committee's activities during 2020 and its priorities for 2021.

The Committee's terms of reference were reviewed and updated during the period under review and are available on the Company's website. Throughout 2020 the Committee acted in accordance with the principles of, and fulfilled its obligations under, the 2018 UK Corporate Governance Code and had regard to the FRC's Guidance on Audit Committees.

Priorities for 2021:

- Review reporting of FYE'20 preliminary results and FYE'21 interim results including going concern and viability analysis and significant financial judgements by management
- Oversee and appraise first external audit undertaken by Ernst & Young LLP
- Oversee establishment of internal risk assurance map and rolling programme for review
- Oversee the 2022 insurance programme renewal
- Monitor the maturity of the Group's cyber and information security systems
- Review the appointment of the Group's valuers

Membership and meetings

There were some changes to the Committee's membership at the start of November 2020. I was appointed as a Non-Executive Director and Chair of the Committee, succeeding Andrew Cunningham who stepped down as a Director of the Group. On behalf of the Board, I would like to thank Andrew for his stewardship of the Committee over recent years. In addition, Lisa Scenna replaced Angela Bromfield as a Committee member, following Angela's appointment as Senior Independent Director and Chair of the Remuneration Committee in succession to Lisa Clement. At the date of this report, the Committee comprises three independent Non-Executive members.

The Board is satisfied that I have recent and relevant financial experience. I was until recently Chair of the Audit and Risk Committee of Calisen plc, which was then a constituent of the FTSE 250, and also 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 of a business operating in the real estate sector. The experience of each member of the Committee is summarised on pages 79 and 80.

The Chair of the Board, Chief Executive, Chief Financial Officer and the external auditor are invited to attend meetings when appropriate.

During 2020, there were four scheduled meetings of the Committee, together with: (A) three additional meetings convened during March to May to monitor and verify the extensive analysis and sensitivities applied by the management team and external auditor to the Group's going concern and long-term viability analysis following the onset of the COVID-19 pandemic. This was when there was great uncertainty as to the pandemic's likely impact on Harworth and the wider sector in which it operates, and (B) another additional meeting convened in December to approve proposals for the annual renewal of the Group's insurance programme.

Membership and attendance at meetings in 2020 are shown below:

		Independent	Committee tenure at 31 December 2020	Scheduled meetings attended/ eligible to attend
Patrick O'Donnell Bourke*	Chair	Yes	2 months	2/2
Ruth Cooke	Member	Yes	1 year 10 months	8/8
Lisa Scenna*	Member	Yes	2 months	2/2
*Andrew Cunningham**	Former Chair	Yes	3 years 9 months	6/6
*Angela Bromfield**	Former member	Yes	1 year 7 months	6/6

*Andrew Cunningham stepped down from the Board and Angela Bromfield stepped down from the Committee at the end of October 2020. Patrick O'Donnell Bourke and Lisa Scenna joined the Committee in November 2020.

Entrance feature wall and the first homes at Hugglescote Grange, South East Coalville

The key activities of the Committee during 2020 are shown below:

The Committee's key activities in 2020:

COMMITTEE GOVERNANCE | FINANCIAL REPORTING | EXTERNAL AUDIT | RISK AND INTERNAL CONTROLS

February	Briefing on new EPRA reporting measures
	External auditor's report on FYE'19 preliminary results
	FYE'19 preliminary results and investor presentation
	Report on annual test of IT Disaster Recovery Plan
March - May	Going concern and viability testing following onset of COVID-19
	External audit of FYE'19 accounts
	FYE'19 annual report and accounts
	Proposed increase in external auditor's fee for additional work undertaken on going concern and viability testing following onset of COVID-19
June	FYE'19 external audit de-brief
	Transition to new external auditor
	Areas of focus for FYE'20 interim results
	Areas of focus for FYE'20 external review of internal controls
	Annual review of appointments of valuers
	Review of initial impact of, and response to, COVID-19 with focus on internal controls
	Adoption of new EPRA measures
September	External auditor's report on FYE'20 interim results
	FYE'20 interim results and investor presentation
November	Planning for FYE'20 external audit
	Report on FYE'20 external review of internal controls
	Review of the need for an internal audit function
	2021 renewal of insurance programme
	Briefing on IT strategy, cyber and information security
	Annual review of GDPR compliance
	Annual review of Committee's terms of reference
	FYE'21 Committee timetable
	Annual review of hospitality register
	Feedback from new external auditor following transition (without management present)
December	2021 renewal of insurance programme

Financial reporting

The Committee examines the plan and timetable for the external auditor's review of the interim results in June each year. The year-end external audit strategy and timetable are reviewed by the Committee in November each year before detailed audit work commences.

Ahead of the interim and preliminary results announcements, the Committee receives reports from management and the external auditor to satisfy itself as to the integrity of the statements and disclosures in those announcements and to ensure that all financial reporting is a fair, balanced and understandable assessment of the Company's position and prospects. The Committee Chair also attends the year-end valuations review meeting in conjunction with the Company's valuers, external auditors and management team. The Committee reviews the long-term viability, going concern and Directors' responsibilities statements (including the assumptions underpinning them) and recommends to the Board their adoption. There was a persistently turbulent macro-economic backdrop to the Company's interim and preliminary results announcements for the year ended 31 December 2020, due in large part to the ongoing impact of COVID-19, and the UK and European Union's future trading relationship. Against that backdrop, extensive going concern and viability analysis was undertaken by management and overseen by the Committee and Board before publication of both announcements.

The Committee reviewed the controls which were in place to ensure the completeness and accuracy of the Company's financial records. The Committee also noted (i) the reviews undertaken during preparation of the Annual Report and Financial Statements by various parties, including the external auditor and valuers, to ensure consistency and balance and (ii) the internal verification exercise undertaken in respect of the financial metrics referred to in the Strategic Report and Directors' Report.

The Committee meets the external auditor independently of management annually, 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.

The Committee has considered, concluded, and recommended to the Board, that the disclosures, and the process and controls underlying the production of the Annual Report and Financial Statements, are appropriate to enable it to determine that they are fair, balanced and understandable and provide 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 136.

Significant reporting issues considered by the Committee for FYE'20 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. While 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) rental amounts and financial stability of tenants;

d) rental yields;

e) applicability of comparable sales evidence that is readily available;

f) anticipated risk of delivery of a site's masterplan; and

g) costs to bring sites forward.

The Committee reviewed the reports prepared by the external valuers and challenged them on methodology, assumptions and judgements underlying the disclosures in the consolidated balance sheet. 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 40 and 41) and the Statement of Directors' Responsibilities (pages 136 and 137), and also in the Notes to the Financial Statements (pages 156 and 157). Given the heightened economic uncertainty in the light of COVID-19, management prepared forecasts on several bases: a base case, a downside case, and a scenario which would result in a breach of one or more financial covenants. 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 and concurs with their use but has encouraged the management team to keep reviewing the use of statutory measures and APMs, and the distinction between them, in the Company's financial reporting.

External audit

The Committee is responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor. The external auditor's appointment is subject to annual review by the Committee. The Company has no contractual commitment obliging it to select any particular firm as external auditor. The Committee bases its recommendation on a review of:

- the calibre of the external auditor, including its reputation, sector experience and overall capacity;
- the independence and objectivity of the external auditor, including consideration of potential conflicts of interest and the non-audit work it has undertaken for the Company (see further comment and analysis below);
- the effectiveness of the last external audit (albeit this was not applicable for the FYE'20 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 proposed scope of the audit; and
- the quantum of fees payable for the audit (see further comment and analysis below).

Following a tender process undertaken by the Committee in 2019, details of which were included in the FYE'19 Annual Report, the Board recommended the appointment of EY for the external audit of the Company's FYE'20 financial statements. That recommendation was approved by shareholders at the 2020 AGM.

Extensive work was undertaken during 2020 by management and EY to transition the external audit mandate smoothly and effectively from PwC. This was a particularly challenging exercise given that most of the work had to be undertaken remotely due to COVID-19 restrictions. At the Committee's meeting in November, at which the strategy and timetable for the FYE'20 audit were reviewed and discussed, the team from EY fed back positively on the external audit transition and their review of the FYE'20 interim results. They also reported to the Committee that much of the preparatory work for the FYE'20 audit had already been undertaken or was well progressed. The Committee spoke with the EY team without management being present, to discuss their first impressions on the Company's management team, systems and financial controls.

In the FYE'19 Annual Report, we highlighted the marked increases in fees across the audit sector, due to the heavy scrutiny on, anticipated regulatory changes for, and reductions in capacity in, the sector, which were reflected in the fees charged by PwC for the external audit of the Company's FYE'19 financial statements. The fees payable for EY's first external audit continue to reflect these market conditions as well as take into account the transition work undertaken during 2020. The Company has negotiated what it considers to be a competitive price given current audit market conditions and the challenging COVID-19 backdrop.

The Board recognises the importance of safeguarding external auditor objectivity and takes the following steps to ensure that 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 circulars) 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 LLP to provide advice and assistance on most tax matters and pension accounting. KPMG is retained to advise on tax matters relating to some joint venture agreements and to undertake annual reviews of aspects of the Group's internal controls framework (see more on this on the following page);
- 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 2020 is shown below; and
- the Committee reviews the external auditor's report to the Directors and the Committee confirming its independence in accordance with auditing standards.

Analysis of audit and non-audit fees

	Audited year ended 31 December 2020 £000		Audited year ended 31 December 2019 £000	
	EY	**PwC**	EY	PwC
Fees payable to the external auditor and its associates for the audit of the Company and the consolidated financial statements	**289**	**–**	–	125
Fees payable to the external auditor and its associates for other services:				
• The audit of the Company's subsidiaries pursuant to legislation	**60**	**–**	–	120
• Audit related assurance services	**–**	**–**	–	25
• The audit of the Group's joint ventures	**–**	**–**	–	10
• Finalisation of fees relating to a prior year	**–**	**85**	–	–
	349	**85**	–	280

Risk management and internal controls

Risk and internal controls framework

Responsibility for monitoring the risk profile of the business and the management of risk lies with the Board which undertakes bi-annual reviews of the Group's strategic risk profile, together with an annual review of risk appetite. The processes undertaken to monitor and manage risk, and the outcome of the Board's latest risk review, are explained in detail in the "Effectively Managing our Risks" section of the Strategic Report on pages 32 to 39.

The Committee ensures that there are procedures in place for the detection of fraud. The external auditor addresses the risk of fraud in its reports to the Committee on the interim and preliminary results. The Committee is responsible for monitoring the Group's internal controls and processes, including its financial, operational and compliance controls, and reports to the Board on these matters ahead of the announcement of the Company's preliminary results.

The Group does not currently have an internal audit function but the Committee reviews, at least annually, whether such a function ought to be established. The Committee undertook a review in November 2020 and currently maintains its view that the structure of, and processes within, the business are not currently sufficiently large, nor complex, to merit a separate internal audit function.

Over recent years, the Committee has overseen a programme of external reviews of certain internal controls. Each year a review has been undertaken by KPMG of a specific element of the internal controls framework. The scope for that review has been determined by the Committee in June with the output presented to the Committee in November each year. In 2020, KPMG undertook a detailed review of the Group's response to the remote working conditions imposed due to the pandemic. This included a review of certain financial and operational controls and processes such as for the approval of new suppliers, the payment of invoices, the execution of legal documents and the recording of sickness absence; communication and engagement with employees; and the preservation and promotion of the Harworth Values, all against the background of a prolonged remote working environment. The conclusions in KPMG's report were positive and its limited recommendations had already been identified by management as actions for improvement and have since been implemented.

During the year, other improvements have been made to operational controls and processes across the business, including:

- a detailed review and update of the Delegated Authorities Policy;
- automation of, and improvements to, the Group's purchase order system, which enhances the controls environment and is more efficient; and
- migration of the Group's hitherto manual employment records and processes to a new online platform and portal, which has both mitigated risk and improved efficiencies.

The Board and Committee also continued to monitor the effectiveness and continuing maturity of the Group's IT strategy including how initiatives introduced in 2019, such as the Harworth Common Platform and the new information management system, have been embedded and maintained.

The Committee is satisfied that the internal controls and risk management systems in place across the business are effective. That said, we continue to look for ways of improving internal assurance and, at the end of 2020, the management team instructed Board Alchemy, an external consultant with extensive experience in this field, to optimise the Group's internal assurance framework. The objective of this exercise is to ensure that our risk framework remains fit for purpose and can evolve with the rapid growth of the business. Board Alchemy is working with the Senior Executive Team to establish an internal assurance "map" and a rolling three-year (rather than annual) internal audit programme. This output from Board Alchemy's work will be presented to the Committee in June 2021.

The substantial work undertaken in 2018 and 2019 on the Group's IT strategy and systems, cyber and information security played a fundamental part in our successful response to COVID-19. During 2020, the Group's newly established outsourced information security function maintained and improved our information security management systems, with a particular focus on project risk assessments, the information security aspects of migration of our finance and HR systems to online platforms, establishing data sharing protocols and platforms for our joint ventures, employee inductions and ongoing awareness and domain name management.

The Company's information security function retains responsibility for our GDPR and Data Protection Act 2018 compliance. The Committee is satisfied that the measures in place, including the overhaul in 2019 of information and data management, represent a proportionate response to our data protection obligations, but the Committee continues to review compliance on an annual basis.

Business continuity

The Group's Business Continuity Plan (BCP) was instrumental in our immediate response to the COVID-19 restrictions, demonstrating its fitness for purpose. A desktop resilience test of the Group's IT Incident Response Plan was undertaken successfully in the first half of 2020. Another test will be undertaken in 2021, alongside a test of the BCP in the second half of the year, and the results will be presented to the Committee.

Insurance

The FYE'19 Annual Report signposted that the Company's insurance renewal for 2021 would be very challenging and this proved to be the case. The property, public liability, directors' and officers' and professional indemnity insurance markets had already begun to tighten ahead of the 2020 renewal. In addition, the Group's long-term rate stability agreement with Tokio Marine Kiln (TMK) expired in 2020 and TMK gave notice that it was withdrawing from the UK insurance market. COVID-19 has served only to exacerbate these adverse insurance market conditions. The 2021 renewal resulted in markedly higher pricing, material increases in excesses on certain sites and some deterioration in the scope of certain aspects of cover.

Whistleblowing

The Committee has responsibility for the Group's whistleblowing policy and procedures, and the appropriate investigation of whistleblowing reports. There were no incidents of whistleblowing in 2020. The Committee undertook its annual review of the policy and procedures in March and concluded that they remain fit for purpose.

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 2020 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. The Company operates a regime for the approval, and a register, of all hospitality activity. This register is monitored regularly by the Company Secretary and annually by the Committee.

Patrick Bourke

Patrick O'Donnell Bourke
Chair of the Audit Committee
22 April 2021

New Homes at Micklefields (Flass Lane), Castleford

Directors' Remuneration Report

Committee members

- Angela Bromfield (Chair)
- Alastair Lyons
- Lisa Scenna

The terms of reference of the Remuneration Committee are on the Company's website: https://harworthgroup.com/investors/governance/

Angela Bromfield

Chair

Dear Shareholder,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2020, my first report as Chair of the Remuneration Committee. I would like to take this opportunity to thank Lisa Clement for her dedicated contribution and service as the previous Chair of the Committee prior to her retirement from the Board in October 2020.

This report is divided into three sections: this Chair's introduction; a summary of the key elements of the Directors' Remuneration Policy (Policy) that was approved at the AGM in 2019; and the Annual Remuneration Report, which explains how the Policy was implemented in 2020 and how it will be implemented in 2021.

The Committee's terms of reference were reviewed and updated during the period under review and are available on the Company's website. Throughout 2020 the Committee acted in accordance with the principles of, and fulfilled its obligations under, the 2018 UK Corporate Governance Code.

Priorities for 2021:

- Operation of 2021 annual bonus, including setting targets, and grant of 2021 Restricted Share Plan awards.
- Continue to keep wider workforce remuneration arrangements under review, taking these into account when considering remuneration arrangements for Executive Directors.
- Remuneration Policy review (to be put to shareholder vote at the 2022 AGM).

Committee membership

Lisa Scenna was appointed to the Board as a Non-Executive Director and joined the Remuneration Committee on 1 September 2020. Lisa has a strong background in real estate development and asset management and serves on other remuneration committees. Her experience is welcomed.

Performance outcomes for the year ended 31 December 2020

2020 was undoubtedly a challenging year for many businesses, as well as us all personally. Whilst Harworth has not been immune to the effect of COVID-19, the business is weathering the pandemic well. The Group's financial and operational resilience has been evident and, as set out in the Strategic Report, very good progress has been made notwithstanding the challenges being faced.

Following the initial COVID-19 outbreak, the business focussed on ensuring adequate liquidity through robust capital management, progress on sales, and strong collections of rent and deferred sales consideration, enabling momentum to be maintained on projects over the balance of the year.

Protecting the health and wellbeing of our people, and ensuring they remained motivated and engaged, has remained a priority throughout this period. The engagement scores in the most recent employee survey speak for themselves, with the Senior Executive Team scoring 100% in terms of respect from our people and organisation-wide engagement levels all continuing to improve despite the difficult working environment.

The year-end valuations saw our industrial land and income portfolio continue to strengthen and a partial unwind of the reductions in value of certain of our residential major development sites at the half-year.

Highlights of the Company's financial and operational performance in FYE'20 are set out on pages 10 to 17 of the Strategic Report and are testament to the pro-active management and leadership of the Senior Executive Team and the commitment of all our people.

As outlined in further detail below, when determining vesting outcomes, the Committee considered performance against Group financial targets and personal objectives, as well as broader perspectives including: the underlying performance of the business, the Group's financial position, and factors related to our business that have affected our shareholders and employees.

Executive Director changes

Owen Michaelson retired from the Board as Chief Executive on 1 November 2020 but remained with the business until 31 December 2020 as a director of the Group's principal trading subsidiaries to facilitate a smooth transition. The treatment of his remuneration and discretions exercised by the Committee in respect of his leaving the business are set out on page 128.

Lynda Shillaw joined the business as Chief Executive on 1 November 2020. Her remuneration arrangements were determined in accordance with the Policy as follows:

Salary	£400,000, higher than her predecessor Owen Michaelson to provide a base reward taking into account her previous salary, experience, and market reference points based on companies of a similar size and complexity.
Pension	10% of salary (matching the rate available for the wider workforce)
Annual Bonus	Up to 100% of salary. No bonus opportunity was granted for 2020
Long term incentives	Restricted Share Plan award in line with the Policy. No award was made in respect of 2020
Notice period	9 months

Annual bonus

Owen Michaelson's bonus opportunity for 2020 was up to 125% of salary. As set out in last year's Directors' Remuneration Report his increase compared to 2019 (100% of salary) reflects the introduction of measures based on specific personal objectives linked to a successful transition to a new Chief Executive. The bonus was based on a combination of financial performance (76% of the opportunity) and personal objectives (24% of the opportunity).

Kitty Patmore's bonus opportunity for 2020 was based on a combination of financial performance (80% of the opportunity) and personal objectives (20% of the opportunity).

Lynda Shillaw was not eligible to earn a bonus in respect of 2020.

The 2020 Group Financial Targets (GFTs) were set in February 2020, prior to the start of the COVID-19 outbreak which fundamentally changed the outlook for 2020. This notwithstanding, the Committee carefully considered how the performance goals set at the start of 2020 should be assessed and determined that no changes should be made to the stretching GFTs set in February 2020 for the Executive Directors.

However, below Board level, and consistent with the commitment made in our 2019 Directors' Remuneration Report, the Committee has monitored business conditions and exercised judgement in applying a degree of positive discretion to 2020 bonus outcomes. In our determination we have had regard to the following:

- The EPRA NDV outturn for 2020 is 160p per share. This is a growth of 3.0% over 2019's outturn, a significant outperformance of the expectations of the Company given the market backdrop.
- The Total Return, whilst not meeting the GFTs, is expected to be an outperformance of our peer group.
- The Company paid a 2020 interim dividend per share of 0.334 pence per share (a 10% increase on 2019). Although the 2019 final dividend was cancelled, an enhanced 2020 final dividend is proposed to compensate fully for that cancellation.
- There was no additional capital raised from investors.
- Over the course of 2020, Harworth did not utilise furlough, or any of the other Government support schemes (with the exception of the opportunity to defer VAT payments which are now paid).
- No employee was made redundant as a result of COVID-19.
- Decisions made by the Board during the first lockdown that had an impact on the Company's potential to meet its GFTs.

In light of all the above, we have exercised discretion below Board level to recognise the outstanding performance of many of our people who have responded with such positive results to the numerous challenges created by COVID-19 for the business and themselves as individuals.

Full details of the GFTs and personal objectives and bonus out-turns for 2020 are set out on pages 121 to 124.

The Committee has approved a bonus of 64.17% of salary for the previous Chief Executive, Owen Michaelson, and 50.88% of salary for Kitty Patmore, the Chief Financial Officer, for the year ended 31 December 2020. The bonus outcome for Kitty Patmore reflects the Committee's decision to apply an increased bonus opportunity to Ms Patmore's base salary for the year ended 31 December 2020, the rationale for which is explained on page 123.

Stepping back from the detail and looking at all of our decisions in the round to make sure that the outcomes are fair and proportionate, the Committee believes that the level of bonus outcome is reflective of the overall performance of the Group in the year, and appropriate in the context of the shareholder and wider workforce experience.

LTIP vesting

The award granted to Owen Michaelson in 2018 under the Harworth Group plc Long-Term Incentive Plan (LTIP) vested at 5.05% of maximum by reference to performance based on Total Shareholder Return and Absolute Total Return measured over the three years ended 31 December 2020.

Vesting was also subject to the additional underpins that 30% of value created came from disposal proceeds and that dividends were sustainable. The Committee reviewed performance against these underpins, considered the underlying performance of the Group during the performance period, and concluded the proposed vesting outcome to be appropriate.

Further details are set out on page 124.

Talent development and review of reward for the wider workforce

The Remuneration Committee oversees the Group-wide review of salary and benefits as part of its work. We aim to create an inclusive and fair environment where people can develop their skills and experience, and contribute fully to the successful development of Harworth, delivering shareholder returns in the right way by creating sustainable places for people to live and work. In making decisions on Executive reward, the Committee has regard to the remuneration and benefits of the wider workforce.

Following the appointment of our new Chief Executive, Lynda Shillaw, our Head of People has undertaken our annual review of talent. As a result of this review a significant number of our below Board workforce have been awarded career progression and promotional pay rises where:-

- they have taken on significant additional responsibilities or work beyond their current job description;
- they have key skills and are considered a flight risk;
- they are part of our talent pool/succession plans;
- they achieved significant business improvements/contracts/ revenue; and/or
- there is a need to bring them in line with market rates, to match the competitive market we have identified.

These increases ranged from 2% to 30% (the average career progression and promotional pay rise awards was 9% - excluding Ms Patmore). The cost-of-living increase that has been awarded at Harworth for 2021 is 1.5%.

All members of the Senior Management Team below Board level participate in the Restricted Share Plan (RSP), aligning their interests with those of shareholders and reflecting our ethos of applying a consistent approach to reward. Over half of our employees currently participate in the Group's all-employee Save As You Earn scheme. In 2020, free shares under the Share Incentive Plan were awarded to 65 (2019: 56) employees, giving them a stake in the business.

The Board recognises the importance of engaging with, and considering the interests of, the Group's employees in its decisions. To that end, a series of measures are in place to encourage and continuously improve engagement, further details of which can be found in the Strategic Report on pages 60 and 61.

Salary increases for 2021

On her appointment as Chief Financial Officer in October 2019, Kitty Patmore's salary was set at £200,000 with a maximum bonus opportunity of 75% of salary. This was Kitty Patmore's first role as a PLC director and, in line with shareholder guidance and best practice, her salary and bonus opportunity were positioned below the market competitive range and below the £245,000 salary and bonus potential (100%) awarded to her predecessor, Andrew Kirkman, in 2019. Given that she joined the business on 1 October 2019, no salary increase was awarded to her for 2020. The pension or cash in lieu of pension for Executive Directors is 10% of salary (aligned with the rate available for the wider workforce).

In the view of the Board, Kitty Patmore has performed exceptionally strongly since her appointment. After consulting the Group's major shareholders, the Committee has, therefore, determined that a discount to her predecessor's reward is no longer appropriate and that her salary should, therefore, be increased to £250,000 (25%) effective from 1 January 2021 and that her bonus opportunity should be the same as her predecessor at 100% of salary.

Given both her and the Company's performance in 2020, we have decided that it is appropriate that the increased bonus opportunity of 100% (which has received support from shareholders) should be applied to Kitty Patmore's 2020 base salary (£200,000) for the year ended 31 December 2020. A bonus potential of 100% of salary is consistent with our Remuneration Policy. This resulted in an increase of £25,440 in her bonus award for 2020. Ms Patmore has applied the majority of these additional funds (post tax) to purchase shares in the Company.

In determining this increase the Committee has been mindful of the ongoing challenging environment. It has not, therefore, at this stage sought to address the fact that Ms Patmore's base salary and total compensation opportunity remains, after this change, positioned towards the bottom end of the market competitive range when compared to both other FTSE small cap listed companies of a similar size and complexity and other real estate peer companies. The Committee will, therefore, continue to keep Ms Patmore's remuneration under review over the next few years, taking into account both her performance in role and the wider performance of the Group.

These changes are aligned with the principles of the Company's talent development programme and reflect Harworth's broader commitment to diversity, equality and fairness, ensuring that individuals are appropriately rewarded on the basis of role, experience and performance.

As was agreed with Lynda Shillaw when she joined the business on 1 November 2020, no salary increase has been awarded to her for 2021.

Bonus for 2021

The annual bonus opportunity for Lynda Shillaw and Kitty Patmore will be 100% of salary.

75% of the maximum annual bonus will be based on financial measures (total accounting return, sales volume, acquisitions, profit excluding value gains, and group net loan to portfolio value), 5% based on ESG measures, and the balance based on personal objectives. Details are set out on page 129.

Restricted Share Plan for 2021

Restricted Share Plan awards will be granted to Executive Directors and other members of the Senior Management Team in 2021. Awards of 50% of salary will be granted to the Executive Directors. The awards will be subject to underpins which reflect performance over the vesting periods. Details are set out on page 130.

Chair and Non-Executive Directors

The Chair's and Non-Executive Directors' fees will be increased by 1.5% for 2021 in line with the general increase awarded for the wider workforce. No increase in fees was awarded in 2020.

Shareholder engagement

The Committee maintains a regular dialogue with its major shareholders. We undertook a consultation exercise with shareholders on the changes to the Chief Financial Officer's base salary and annual bonus opportunity. We also consulted with shareholders representing more than 70% of the shares in the Company in connection with the treatment of Owen Michaelson's unvested Restricted Stock Plan awards on his retirement on 31 December 2020. Further details are set out on page 128. I would like to thank shareholders for their engagement and support in connection with both of these matters. Consultation will also be undertaken ahead of any material amendments to the Policy to be presented to shareholders at the 2022 AGM.

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 2020 and consider that the remuneration received by the Executive Directors in respect of 2020 was appropriate, taking into account Group and personal performance, and the experience of shareholders and employees. I am happy to meet (subject to COVID-19 restrictions) or speak with shareholders if there are any questions or feedback on our approach to executive remuneration.

Angela Bromfield
Chair of the Remuneration Committee
22 April 2021

DIRECTORS' REMUNERATION POLICY

Our Directors' Remuneration Policy was approved by shareholders at the 2019 AGM, and is set out in full on pages 103 – 111 of the 2018 Annual Report and Accounts which are available on the Company's website at https://harworthgroup.com/investors/reports-presentations/. We set out below those parts of the Policy which we think shareholders will find most useful.

Executive Director remuneration

Policy table

Function	Operation	Opportunity	Performance metrics
Base salary To recognise the individual's skills and experience and to provide a competitive base reward.	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. Any adjustments will typically be effective 1 January in the year following review.	Any base salary increases are applied in line with the outcome of the review as part of which the Committee also considers average increases across the Group. 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.	None.
Pension To provide an opportunity for the Executive to build up income for retirement.	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. Executives may be permitted to sacrifice other elements of remuneration and receive an equivalent contribution to a pension scheme. Should any Executive elect to do so, any employer social security saving for the Group may also be contributed to a pension arrangement on behalf of the Executive.	10% of salary, plus the amount of any employer social security saving if an Executive sacrifices any other element of remuneration as referred to in the "Operation" column.	None.
Benefits To provide benefits which are competitive in the market in which the Executive is employed.	Executives receive benefits which consist primarily of the provision of a car allowance and fuel, 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.	Benefits vary by role and individual circumstances. Eligibility and cost are reviewed periodically. The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation) or in circumstances where factors outside the Company's control have changed materially (e.g. increases in insurance premiums).	None.

Function	Operation	Opportunity	Performance metrics
Annual bonus To incentivise and reward strong performance against financial and personal annual targets, thus delivering value to shareholders and being consistent with the delivery of the strategic plan.	Performance measures, targets and weightings are set at the start of the year. The scheme is based on a combination of financial performance and personal objectives. At the end of the year, the Remuneration Committee determines the extent to which targets have been achieved. Bonus payments are ordinarily delivered in cash. However, if a bonus in excess of 100% of salary is earned, the Remuneration Committee has the discretion to defer any bonus above 100% of salary into shares in the Company for up to three years, subject to malus provisions. The Remuneration Committee also has discretion to require (or to permit) the deferral into shares of any other part of a bonus. Malus (of deferred shares) and clawback (of any bonus paid) may be applied during employment or for two years post-termination in the event of misconduct, material financial misstatement, error in calculation of outcomes, a significant health and safety event or environmental incident, material corporate failure or in any other circumstance that the Committee considers appropriate. If a deferred bonus award is granted on the basis the Executive is not entitled to acquire the shares until the end of the deferral period, an additional payment (in cash or shares) may be made in respect of dividends that would have been paid on the shares subject to the award during the period beginning with the date of grant and ending with the date on which the shares can first be acquired (this payment may assume that dividends had been reinvested in Harworth shares on such basis as the Committee determines).	For Executive Directors, the normal maximum annual bonus opportunity is 100% of base salary, although the Committee has discretion to award a bonus opportunity of up to 150% of salary. 50% of maximum annual bonus opportunity will be paid at Target and 100% at Maximum, with straight-line vesting between each. The Committee may set a Threshold level of performance for which no more than 10% of maximum would be paid.	Performance is assessed on an annual basis, as measured against specific objectives set at the start of each year. The measures will include financial measures and may also include personal and/or strategic performance objectives. Financial measures will be weighted appropriately each year according to business priorities. Measures may include, but are not limited to, growth in net assets, acquisitions, sales and profit excluding value gains. No less than 75% of the annual bonus will be based on financial measures. Strategic and personal objectives are set annually to reflect the Group's annual strategic plan and individual contribution to that plan, developed in line with shareholder expectations. No more than 25% of the annual bonus will be based on strategic and/or personal objectives. Any strategic and/or personal element shall not pay out unless there is a pay-out under the financial element. Overall pay-out under the annual bonus may be subject to additional underpins, determined by the Committee at the start of the financial year. The Committee has discretion to adjust the formulaic bonus outcomes in exceptional circumstances to ensure alignment of pay with performance. Any such adjustments would be fully explained in future Remuneration Reports.

Function	Operation	Opportunity	Performance metrics
Restricted Share Plan To encourage and enable substantial long-term share ownership and to reflect our ethos of long-term stewardship.	Annual share awards will be made in the form of conditional share awards or nil-cost options. The awards will be subject to a performance underpin explained further in the column headed "Performance metrics". An award will vest in three equal tranches following the assessment of the relevant performance underpin, which will be assessed following the end of a period of no less than three years as regards the first tranche, no less than four years as regards the second tranche and no less than five years as regards the third tranche. The first and second tranches of an award will be subject to a holding period which begins on the relevant vesting date and lasts until the vesting date of the third tranche, with the award not "released" until the end of the holding period. No holding period will apply to the third tranche of an award. The holding period will be structured as either (1) the participant not being able to acquire the shares until the end of the holding period; or (2) the participant being able to acquire shares following vesting but that, other than as regards the sale of shares to cover tax liabilities associated with the vesting or acquisition, the participant not being able to dispose of or otherwise deal with the shares acquired until the end of the holding period. If a holding period is structured on the basis that the participant is unable to acquire shares until its end, dividend equivalents (in cash or shares) may be paid on vested shares in respect of dividends that would have been paid on those shares between vesting and the date on which the shares can first be acquired. The dividend equivalents may assume the reinvestment of dividends into shares on such basis as the Committee determines. 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 in the event of misconduct, material financial misstatement, error in calculation of outcomes, a significant health and safety event or environmental incident, material corporate failure or in any other circumstance that the Committee considers appropriate.	The RSP provides for a normal annual award of up to 50% of salary for Executive Directors. In exceptional circumstances, such as on recruitment, awards of up to 100% of salary may be made.	Although no formal performance measures apply to any awards under the RSP, 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 Group or participant over the relevant period, or if the Committee considers that the vesting level is not appropriate in the context of circumstances that were unexpected or unforeseen at the grant date or other relevant circumstances.

Function	Operation	Opportunity	Performance metrics
Share Incentive Plan and Save As You Earn plan To motivate and to facilitate share ownership on an all-employee basis.	These plans are reviewed annually and if offered are offered to all eligible employees in accordance with their terms and applicable legislation.	An Executive Director may contribute up to £500 per month (or such other limit as may be permitted under the relevant legislation) (SAYE) and £1,800 per annum (or such other limit as may be permitted under the relevant legislation) (SIP) into these tax advantaged all-employee schemes. Under the SAYE, the per share option exercise price is set at a discount of up to 20% (or such other amount as may be permitted under the relevant legislation) to the share price when participation is offered. Under the SIP the Company may match the shares up to a 2 for 1 basis (or on such other basis as may be permitted under the relevant legislation). Under the SIP the Company may also make an award to an Executive Director of up to £3,600 of free shares in any year.	None.

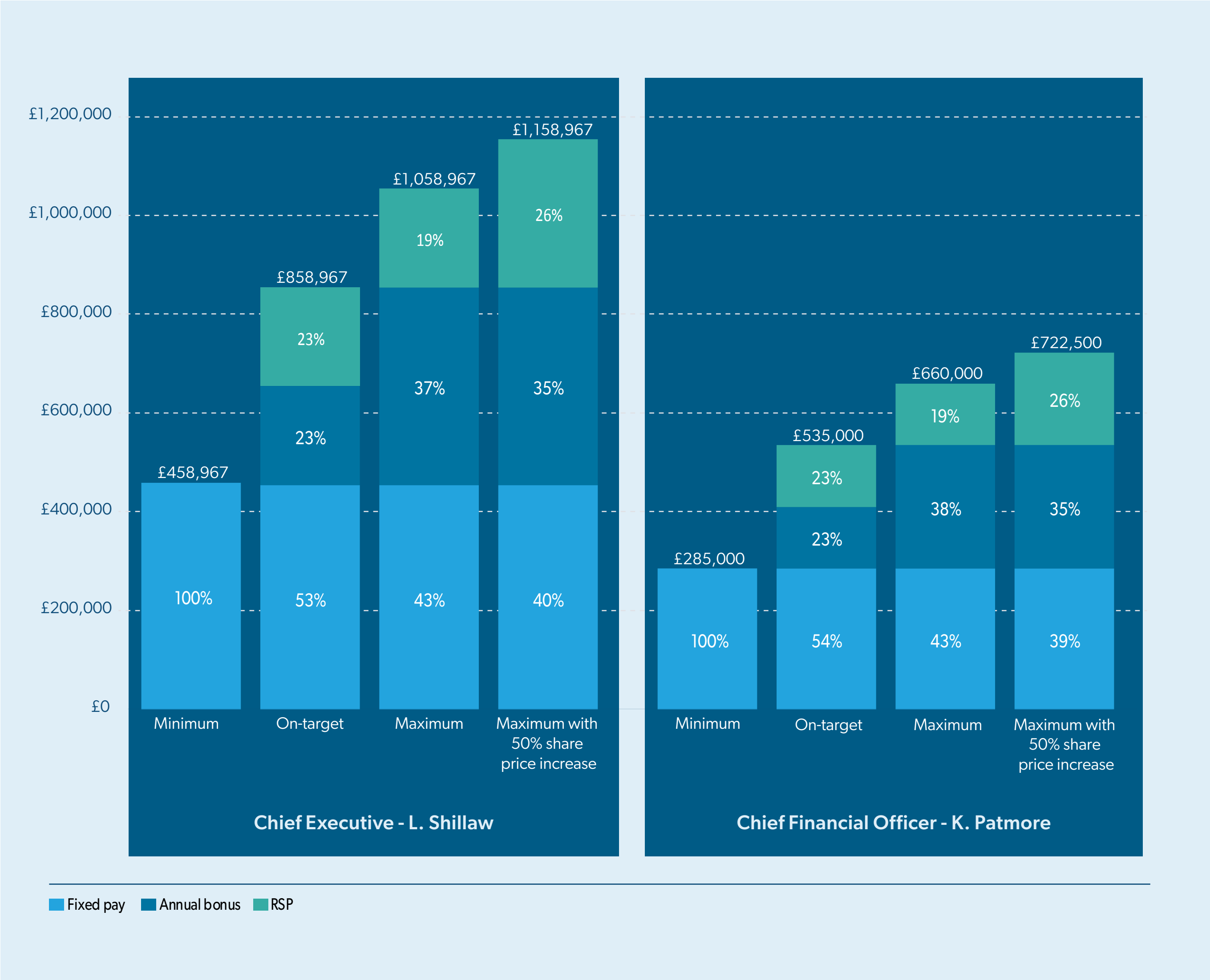
Shareholding guidelines

The Committee continues to recognise the importance of aligning Executive Directors' interests with those of shareholders through building up a significant shareholding in the Company. Shareholding guidelines are in place that require Executive Directors to build a holding equivalent to 200% of base salary. Until the relevant shareholding levels are achieved, 50% of any shares vesting to the relevant Director under the RSP (post-payment of tax) are required to be held. Shares subject to LTIP or RSP awards which have vested but which remain subject to a holding period and shares subject to any deferred bonus award count towards the guidelines on a net of assumed tax basis. Details of the Executive Directors' current personal shareholdings are provided in the Annual Remuneration Report on page 130.

Reflecting best practice, the Committee adopted, with effect from 1 January 2019, a post-cessation shareholding requirement. This requires that for the first 12 months following cessation of employment, an Executive Director must retain such number of his or her "relevant shares" as have a value (as at cessation) equal to half of the shareholding guideline that applied during service (currently 100% of base salary, based on a guideline during service of 200% of 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, he or she must retain the "relevant shares" he or she holds. Shares which the Executive Director has purchased or which have been acquired pursuant to awards granted before 1 January 2019 are not "relevant shares" for these purposes. Shares subject to RSP awards which have vested but not been released, shares subject to released RSP awards which have not been exercised, and shares subject to deferred bonus awards count towards the post-cessation guideline on a net of assumed tax basis. Unless the Committee determines otherwise, when considering the extent to which this requirement is satisfied, an Executive Director or former Executive Director shall be deemed to have disposed of shares which are not "relevant shares" before any "relevant shares" that person holds.

Pay for performance scenarios

The charts below provide an illustration of the potential future reward opportunities for Lynda Shillaw and Kitty Patmore, 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 for the purposes of the RSP award.



The "minimum" scenario reflects base salary, pension and benefits (i.e. fixed remuneration) which are the only elements of the Executive Directors' remuneration package not linked to performance. Base salary and pension (10% of salary) are as at 1 January 2021 as set out on page 129, whilst benefits are based on the value of such benefits in 2020. The "on-target" scenario reflects fixed remuneration as above, plus bonus payout of 50% of maximum annual bonus opportunity and RSP vesting in full. The "maximum" scenario reflects fixed remuneration as above, plus full payout 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%.

Executive Directors' service contracts

The current Executive Directors have a rolling service contract requiring nine months' notice on termination on either side for Lynda Shillaw and six months' notice on termination on either side for Kitty Patmore. 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.

	Date of service contract
L. Shillaw	29 July 2020
K. Patmore	5 August 2019

Non-Executive Directors' letters of appointment and remuneration

Non-Executive Directors are appointed on a rolling annual basis, subject to the Non-Executive Directors' re-election at each AGM. The appointment and re-appointment and the remuneration of Non-Executive Directors are matters reserved for the full Board. The letters of appointment for the Non-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.

	Appointment date to the Board	Date of latest letter of appointment	Latest letter of appointment expiry date
A. Lyons	7 March 2018	23 November 2017	7 March 2022
A. Bromfield	1 April 2019	19 February 2019	1 April 2022
R. Cooke	19 March 2019	27 February 2019	19 March 2022
L. Scenna	1 September 2020	29 June 2020	1 September 2021
P. O'Donnell Bourke	3 November 2020	2 November 2020	3 November 2021
S. Underwood	2 August 2010	9 December 2019	1 January 2022
M. Bowes(1)	24 March 2015	1 March 2015	1 March 2022

(1) Was previously a Non-Executive Director of Harworth Estates Property Group Limited from 19 March 2013.

Policy table

Function	Operation	Opportunity	Performance metrics
Fees and benefits To attract and retain Non-Executive Directors of the highest calibre with broad commercial and other experience relevant to the Company.	Fee levels are ordinarily reviewed annually, with any adjustments typically effective 1 January in the year following review. The fees of the Chair are determined by the Committee, whilst the fees of the other Non-Executive Directors are determined by the Board. Additional fees are payable for acting as Senior Independent Director and as Chair of any of the Board's Committees. Fee levels are benchmarked against similar roles at comparable companies. Time commitment and responsibility are taken into account when reviewing fee levels. 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.	Non-Executive Director fee increases are applied in line with the outcome of the annual fee review. 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.	None.

The Non-Executive Directors are not eligible to participate in the Company's performance related bonus plan, long-term incentive plans or pension arrangements.

ANNUAL REMUNERATION REPORT

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 Chair, Executive Directors and Investment Committee. The Policy is designed to support the Group's strategy and help retain and incentivise a Senior Management 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 Management Team set the standards for behaviour and conduct across the Group. Focusing incentives on Group performance creates collective accountability and delivers a consistent reward structure across all levels of management. The Group financial performance measures applied to the annual bonus 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 the behaviours that lay the foundations for longer-term success. The introduction and operation of our Restricted Share Plan reflects a core principle of rewarding long-term value creation in a cyclical business. Recognising the extended timeframes of our business model and the long-term consequences of our decision making, Restricted Share Plan awards reduce the impact of cyclical volatility on reward outcomes and facilitate retention through the 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 the Restricted Share Plan. The structure is simple to understand for both participants and shareholders and promotes long-term stewardship.
Risk	Annual bonus opportunities are set at levels which reward high performance and reflect the long-term nature of our business, but do not encourage inappropriate business risk. The Committee has discretion to amend vesting outcomes under the annual bonus and Restricted Share Plan where it considers that they would not otherwise be representative of the underlying business performance over the vesting period. All Executive Director annual bonus and Restricted Share Plan awards are also subject to both 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 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 to the Group's strategic priorities, and targets are calibrated to reward Executive Directors for strong performance. Vesting under the Restricted Share Plan 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 take ownership of 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 also applies which ensures that they are aligned to the Group's performance for two years post-cessation of employment. We encourage and enable substantial long-term share ownership for all employees, supporting the long-term nature of our business and its returns through the Share Incentive Plan and the Save As You Earn plan.
Predictability	The range of possible rewards to individual Executive Directors is set out in the scenario charts on page 116.

Committee membership and attendance

Membership and attendance at meetings in 2020 are shown below:

		Independent	Committee tenure at 31 December 2020 (or earlier, if the Director has resigned)	Scheduled meetings attended/ eligible to attend
Angela Bromfield(1)	Chair	Yes	1 year 9 months	6/6
Alastair Lyons	Member	Yes	2 years 10 months	6/6
Lisa Scenna	Member	Yes	4 months	2/2
Lisa Clement(2)	Chair	Yes	8 years 11 months	5/5

(1) Angela Bromfield succeeded Lisa Clement as Chair of the Remuneration Committee with effect from 1 November 2020.
(2) Lisa Clement retired from the Board on 31 October 2020.

During the year, the Committee held three scheduled meetings. Two additional meetings were convened in the weeks following the onset of COVID-19, to consider the grant of awards and options under the Restricted Share Plan, the Share Incentive Plan and the Save As You Earn scheme. Another additional meeting was convened in July to approve the remuneration package to be offered to Lynda Shillaw, the new Chief Executive. The key activities of the Committee during 2020 are shown below:

The Committee's key activities in 2020

COMMITTEE GOVERNANCE	EXECUTIVE REMUNERATION	ALL EMPLOYEES

February	Assessment of 2019 bonus outcomes
	Assessment of 2017 LTIP outcomes
	Setting 2020 bonus targets
	Vesting of Owen Michaelson's 2019 deferred share bonus award
	In principle approval of 2020 Restricted Share Plan awards
	In principle approval of SAYE awards and Share Incentive Plan awards
March	Review of decision to make Restricted Share Plan awards following onset of COVID-19
	Review of decision to make SAYE and Share Incentive Plan awards following onset of COVID-19
May	Approval of 2020 Restricted Share Plan awards
	Approval of 2020 SAYE awards and Share Incentive Plan awards
July	Remuneration package for Lynda Shillaw
October	Review market benchmarks
	Update on market practice and corporate governance
December	Review of 2021 bonus targets
	2021 Committee timetable
	Committee terms of reference

*Note the annual salary review was deferred to February 2020 and, going forwards, will be undertaken in February each year but effective from 1 January of that year
*Note a decision on the treatment of Owen Michaelson's 2020 bonus and outstanding 2018 LTIP and Restricted Share Plan awards was made in February 2021 alongside the assessment of 2020 bonus outcomes and 2018 LTIP outcomes

Advisors to the Committee

The Company Secretary is secretary to the Committee. The following individuals may be invited to attend Committee meetings on certain occasions to support the Committee in making informed decisions:

- Chief Executive;
- Chief Financial Officer;
- Head of People; 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 2020.

Deloitte's fees in relation to remuneration advice provided to the Committee during 2020 were £23,225 plus VAT, charged on a time and expenses basis. Deloitte also provided advice to the Group during 2020 in relation to corporate tax, pensions and share plans. The Committee did not consider that these engagements impaired Deloitte's independence.

Single total figure of remuneration for Executive Directors (audited)

The table below sets out remuneration received by each Executive Director of the Company for the year ended 31 December 2020 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.

	O. Michaelson(1)		L. Shillaw(2)		K. Patmore(3)	
	2020	2019	2020	2019	2020	2019
Fixed pay						
Salary	£270,833	£316,250	£66,666	-	£200,000	£50,000
Taxable benefits(4)	£16,281	£16,438	£2,686	-	£10,000	£2,500
Pension benefit(5)	£27,083	£31,625	£6,666	-	£20,000	£5,000
Subtotal	£314,197	£364,313	£76,018	-	£230,000	£57,500
Variable pay						
Single-year variable	£208,552	£139,783	-	-	£101,760	-
Multi-year variable(6)	£13,923	£164,638	-	-	-	-
Subtotal	£222,475	£304,421	-	-	£101,760	-
Total	**£536,672**	**£668,734**	**£76,018**	**-**	**£331,760**	**£57,500**

(1) Retired from the Board on 31 October 2020 and remained with the business until 31 December 2020 to facilitate a smooth transition. The table above reflects his remuneration from 1 January 2019 to 31 October 2020.
(2) Appointed as Chief Executive with effect from 1 November 2020.
(3) Appointed as Chief Financial Officer with effect from 1 October 2019.
(4) Taxable benefits consist primarily of car and fuel allowance. For 2020 these were £11,829 for Owen Michaelson (£14,268 for 2019), £2,083 for Lynda Shillaw (Nil for 2019), and £10,000 for Kitty Patmore (£2,500 for 2019). Other benefits included life assurance and health insurance.
(5) Owen Michaelson and 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.
(6) The 2018 LTIP awards (in which Owen Michaelson was a participant) will vest based on performance to 31 December 2020, as described below under the heading "LTIP awards vesting in respect of the year ended 31 December 2020". In the 2019 Directors' Remuneration Report the values of the 2017 LTIP awards (which vested by reference to performance to 31 December 2019) were calculated by reference to a share price of 120.03 pence, being the average share price over the three-month period ended 31 December 2019. In line with the applicable regulations, the values have been restated to reflect the share price on the date of vesting (103.00 pence and 5 April 2020 respectively). The share price increased from 97.00 pence at the date of award, being 5 April 2017, to 103.00 pence at the date of vesting, being 5 April 2020. Therefore £9,591 is attributable to share price growth between award and vesting.

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 2020 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	
	2020	2019	2020	2019	2020	2019	2020	2019
A. Lyons	£160,000	£160,000	-	-	-	-	£160,000	£160,000
M. Bowes	£45,000	£45,000	-	-	-	-	£45,000	£45,000
A. Bromfield(1)	£45,000	£33,750	£1,250	-	£1,250	-	£47,500	£33,750
L. Clement(2)	£37,500	£45,000	£6,250	£7,500	£6,250	£7,500	£50,000	£60,000
R. Cooke(3)	£45,000	£35,308	-	-	-	-	£45,000	£35,308
A. Cunningham(4)	£37,500	£45,000	£6,250	£7,500	-	-	£43,750	£52,500
S. Underwood(5)	£45,000	£45,000	-	-	-	-	£45,000	£45,000
L. Scenna(6)	£15,000	-	-	-	-	-	£15,000	-
P. O'Donnell Bourke(7)	£7,500	-	£1,250	-	-	-	£8,750	-

(1) Appointed as Non-Executive Director with effect from 1 April 2019. Angela Bromfield succeeded Lisa Clement as Senior Independent Director and Chair of the Remuneration Committee with effect from 1 November 2020.
(2) Retired from the Board on 31 October 2020.
(3) Appointed as Non-Executive Director with effect from 19 March 2019.
(4) Retired from the Board on 31 October 2020.
(5) Up to and including 31 December 2019 the fees for Steven Underwood were paid to Peel Management Limited. With effect from 1 January 2020 those fees are paid directly to Steven Underwood.
(6) Appointed as Non-Executive Director with effect from 1 September 2020.
(7) Appointed as Non-Executive Director and Chair of the Audit Committee with effect from 3 November 2020.

Incentive outcomes for year ended 31 December 2020

Annual bonus

As set out in last year's Directors' Remuneration Report, Owen Michaelson's bonus opportunity for 2020 was up to 125% of salary. This increase compared to 2019 (100% of salary) reflects the introduction of measures based on specific personal objectives linked to the successful transition to a new Chief Executive. The bonus was based on a combination of financial performance (as regards 76% of the opportunity) and personal objectives (as regards 24% of the opportunity).

Kitty Patmore's bonus opportunity for 2020 was based on a combination of financial performance (as regards 80% of the opportunity) and personal objectives (as regards 20% of the opportunity).

As set out in the introduction from the Committee Chair, given both her and the Company's performance during 2020, we decided it was appropriate that the increased bonus opportunity of 100% should be applied to Kitty Patmore's base salary (£200,000) for the year ended 31 December 2020. A bonus potential of 100% of salary is in line with our Remuneration Policy and with the bonus opportunity awarded to her predecessor Mr Kirkman.

Lynda Shillaw was not eligible to earn a bonus in respect of 2020.

Performance against targets and subsequent vesting of 2020 annual bonuses are set out in the tables below.

Financial performance outcomes

Measure	Weighting (% of financial element)	Threshold[1]	Target[2]	Maximum	Actual performance	Vesting outcome
NNNAV (now NDV) gains plus dividends (Total Return)	40%	£20.1m	£25.7m	£37.5m	£16.49m	0%
Sales volume – base sales[3]	12.5%	£90m	£100m	£105m	£65.86m[4]	0%
Non-core sites[5]	7.5%	£12.5m	£25m	More than £25m	More than £25m	100%
Acquisitions (strategic development of the business)	25%	Increase secure annualised recurring rent £1.2m. Strategic landbank growth 7.5%	Increase secure annualised recurring rent £1.4m. Strategic landbank growth 10%	Increase secure annualised recurring rent £1.6m. Strategic landbank growth 15%	Increase secure annualised recurring rent £3.386m. Strategic landbank growth 11.2%	100%
Profit excluding value gains[6]	15%	£4.0m	£4.48m	£5.15m	£4.366m	40.5%
Total vesting on financial performance element						
O. Michaelson					76% weighting of total bonus opportunity	38.6%
K. Patmore					80% weighting of total bonus opportunity	38.6%

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) Based on unconditional sales completed during the year and includes non-cash consideration which removes a cost plan liability, internal sales for direct development and sales by joint ventures.
(4) Actual performance figure excludes a £3.05m sale of the Group's Wardley site, which was completed in January 2020 but included in the 2019 GFT scoring for the reasons outlined in the 2019 Directors' Remuneration Report.
(5) For non-core sites consideration was given to the progress made in finding exit solutions for challenging sites.
(6) In line with the agreed parameters of the target, the Committee recommended adding back unbudgeted exceptional costs of £801k incurred as a result of corporate activity or unplanned PLC initiatives which did not reflect poor business performance or an inappropriate management action. This included unbudgeted costs associated with Board changes and associated legal costs; banking fee for amendment to facility and additional facilities; additional banking margin due to covenant amendments.


New research facility unit for the UK Atomic Energy Authority at the AMP

Personal performance outcomes

Executive Director	Objectives during the year	Performance against objectives during the year	Vesting
O. Michaelson (24% weighting)	**Executive Leadership** • To complete the embedding of the role of the Investment Committee in the Harworth management structure as the principal place of decision-making • To transition successfully to a new Chief Executive including: - maintenance of clear direction and progress during 2020, in particular during the second half - an effective review of the principal strategic issues arising from the pandemic and how best to respond - a quality business plan for 2021 with the groundwork set for its delivery - an effective programme of induction and relationship transfer to the new CEO - enabling the new CEO to build effective relationships with management and employees	**Executive Leadership** • Investment Committee established: some ways of working require further development • Strong performance across the year, notably in the second half with good value gains, all planned major sales completed, and excellent rent collection • Review initiated as planned with the output to be taken forward by Lynda Shillaw as the new CEO • Strong second half performance positioned the business well to achieve its 2021 objectives • Lynda Shillaw underwent a comprehensive induction programme and establishment of principal commercial relationships • Strong results from the Company's annual engagement survey with the Senior Executive Team scoring 100% in terms of respect from our people and organisation wide engagement levels all continuing to improve amidst a difficult external climate and challenging internal circumstances	91.67%
K. Patmore (20% weighting)	**Executive Leadership** • Complete the transition of the finance function so it is seen by the wider business as a "business partner" • Defining and implementing common management information to track business performance and appraisal processes • Integration of the new accounting platform (Dynamic 365) • Updating the key KPIs for the business to allow tracking on the performance of the business in real time • Identify and implement across the business an updated project appraisal system which allows the Board to make considered and informed judgements on all future capital deployment decisions and track the combined NAV growth profile of the portfolio **Capital structure** • Review the existing capital structure to secure additional sources of finance, projects specific finance and flexibility on interest cover covenants • Understand Homes England project funding strategy • Securing new funding sources and/or alternative funding structures to support group wide initiatives	**Executive Leadership** • Hired business partners and integrated them into the business • Quality of site-specific data was significantly improved on prior years • The new accounting system was launched in H1 2020, followed by a purchase order system in November 2020 and the invoice automation system in January 2021 • Updated KPIs introduced and agreed with the Chair and CEO supporting tracking on the performance of the business in real time • Consistent approach for development of bespoke appraisal models implemented for all new transactions. This has enhanced the quality of modelling and scenario testing **Capital structure** • During the early months of 2020 priorities with regards to this objective shifted in light of the impact of COVID- 19. Ensured business had sufficient financial capacity to operate and took steps with our banks to secure a relaxation of the interest cover ratio covenant and a further £30m of RCF capacity. This ensured that the business was able to continue to execute its plans throughout the year and enabled the Board to approve the FYE'19 accounts on a going concern basis. Against a backdrop of real uncertainty and worsening market conditions in some real estate asset classes the prompt timing of these measures was critical	100%

Overall bonus outcomes

	Financial		Personal		Overall bonus outcome	
Executive Director	Weighting	Vesting	Weighting	Vesting	% of bonus	% of salary
O. Michaelson(1)	76%	38.6%	24%	91.67%	51.34%	64.17%
K. Patmore	80%	38.6%	20%	100%	50.88%	50.88%

(1) O. Michaelson retired from the Board on 1 November 2020 and remained in the business until 31 December 2020 to facilitate a smooth transition. The Committee therefore agreed that no time pro-rating should apply to the overall bonus outcome.

The decision to apply the increased bonus opportunity of 100% to Ms Patmore's 2020 base salary for the year ended 31 December 2020 resulted in an increase of £25,440 in her bonus award for 2020. Ms Patmore has applied the majority of these additional funds (post tax) to purchase shares in the Company.

The overall bonus payments were also subject to additional underpins based on the Company's health and safety record, no deficiencies or material adverse issues which materially damaged the reputation or performance of the business and no covenant breach or financial irregularity. The Committee reviewed performance against these underpins and were content.

LTIP awards vesting in respect of the year ended 31 December 2020

LTIP awards granted on 5 April 2018 were subject to the following performance conditions over the three-year period ended on 31 December 2020:

- 50% of the award was subject to the Company's absolute total return (ATR) performance.
- 35% of the award was subject to the Company's total shareholder return (TSR) performance relative to a peer group consisting of: Henry Boot, Inland Homes, St. Modwen, U+I, Urban and Civic.
- 15% of the award was subject to the Company's TSR performance relative to the FTSE All Share Real Estate Investment Services Index.

A summary of the LTIP targets and actual performance is summarised below.

Performance condition	Weighting (% award)	Threshold(1)	Target(2)	Maximum	Actual performance	Vesting (% of maximum)
ATR	50%	8%	10%	12%	8.01%	10.1%
TSR vs peer group	35%	Median	n/a	Median + 9% growth p.a.	Below median	0%
TSR vs Index	15%	Index	n/a	Index + 9% growth p.a.	Below median	0%

Straight-line vesting occurs between defined levels of performance
(1) 10% of maximum opportunity vests in relation to the proportion of the awards subject to ATR performance. 25% of maximum opportunity vests in relation to the proportion of the award subject to TSR performance.
(2) 25% of maximum opportunity vests in relation to the proportion of the award subject to ATR performance.

Vesting was also subject to the additional underpins that 30% of value created should come from disposal proceeds and that dividends were sustainable. The Committee reviewed performance against these underpins, including that an enhanced FYE'20 final dividend is proposed to compensate fully for the cancelled FYE'19 final dividend, considered the underlying performance of the Group during the performance period, and concluded the proposed vesting outcome of 5.05% of maximum to be appropriate. Awards vested on 5 April 2021. 50% of vested shares (post tax) will be subject to a two-year post-vesting holding period.

Executive Director	Number of shares granted	Overall vesting(1)	Number of shares vesting	Face value(2)(3)
O. Michaelson	280,477	5.05%	14,164	£13,923

(1) O. Michaelson retired from the Board on 31 October 2020 and remained in the business until 31 December 2020 to facilitate a smooth transition. The Committee therefore agreed that no time pro-rating should apply to the overall vesting outcome.
(2) The number of shares expected to vest multiplied by the average share price over the three-month period ended 31 December 2020 (98.3 pence). The LTIP award did not accrue dividend equivalents over the vesting period.
(3) The share price at the grant of the awards (110 pence based on the average share price on the three trading days immediately preceding the date of grant) is higher than the 98.3 pence share price used to estimate the face value of the awards at vesting. Therefore none of the face value is attributable to growth in share price between grant and vesting.

All awards under the LTIP have now vested and no further awards will be made following implementation of the Restricted Share Plan.

Restricted Share Plan awards granted in 2020 (audited)

A Restricted Share Plan award was granted to Owen Michaelson and Kitty Patmore at 50% of salary in 2020. No award was granted to Lynda Shillaw.

The Committee delayed the grant of the awards from April to June 2020 given the economic uncertainty and market volatility caused by COVID-19. In line with shareholder guidance, the Committee considered the potential for windfall gains at the time of grant. The Committee took into account a number of factors including the Company's share price performance compared to the wider market and the real estate and development sector and the fact that the RSP awards are much less leveraged than performance based share awards. In light of this, and taking into account that the share price used to determine the 2020 RSP awards was not materially lower than the share price used to determine the 2019 RSP awards, the Committee considered there to be sufficient protection against windfall gains.

Executive Director	Type of award	Date of grant	Number of shares subject to award	Face value[1]
O. Michaelson	Nil-Cost Option	25 June 2020	156,250	£162,500
K. Patmore	Nil-Cost Option	25 June 2020	96,154	£100,000

(1) Face value based on the share price on the trading day immediately preceding the date of grant on 25 June 2020 (104 pence).

Vesting will be phased over a five-year period, with 33% vesting after three years, 33% after four years and 33% after five years, although all vested shares must be held to the end of year five.

The RSP award is 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.

Performance underpin	Description	Detail[1]
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

(1) The Committee has discretion to make a downward adjustment to awards if any of these events occur during the vesting periods.

Furthermore, the Committee has discretion to amend 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 has 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 2019 and 2020		
	Salary & fees	**Benefits**	**Bonus**
Executive Directors			
O. Michaelson(1)	n/a	n/a	n/a
L. Shillaw(2)	n/a	n/a	n/a
K. Patmore(3)	n/a	n/a	n/a
Non-Executive Directors			
A. Lyons CBE	0%	-	-
A. Bromfield(4)	n/a	-	-
L. Clement(5)	n/a	-	-
R. Cooke(6)	n/a	-	-
A. Cunningham(5)	n/a	-	-
S. Underwood	0%	-	-
M. Bowes	0%	-	-
L. Scenna(7)	n/a	-	-
P. O'Donnell Bourke(8)	n/a	-	-
Average employee (Company)(9)	7%	34%	14%
Average employee (Group)	3.3%	5%	(20%)

(1) Retired from the Board on 31 October 2020 and therefore the annual percentage change in remuneration is not applicable.
(2) Appointed as Chief Executive with effect from 1 November 2020 and therefore the annual percentage change in remuneration is not applicable.
(3) Appointed as Chief Financial Officer with effect from 1 October 2019 and therefore the annual percentage change in remuneration is not applicable.
(4) Appointed as Non-Executive Director with effect from 1 April 2019 and therefore the annual percentage change in remuneration is not applicable.
(5) Retired (Lisa Clement) and stepped down (Andrew Cunningham) from the Board on 31 October 2020 and therefore the annual percentage change in remuneration is not applicable.
(6) Appointed as Non-Executive Director with effect from 19 March 2019 and therefore the annual percentage change in remuneration is not applicable.
(7) Appointed as Non-Executive Director with effect from 1 September 2020 and therefore the annual percentage change in remuneration is not applicable.
(8) Appointed as Non-Executive Director with effect from 3 November 2020 and therefore the annual percentage change in remuneration is not applicable.
(9) 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.

Chief Executive pay ratio

The Group has fewer than 250 UK employees and is not, therefore, required to publish a pay ratio. However, in line with best practice, the Committee takes account of both internal and external relativities when determining the remuneration packages of the Chief Executive, Chief Financial Officer, and Investment Committee members. The Committee also takes account of pay for the wider workforce. The Committee considers that the pay ratio between the average Group employee and the Chief Executive is consistent with the Group's policies on employee pay, reward and progression.

Relative importance of spend on pay

Total employee pay expenditure			Distribution to shareholders		
2020	**2019**	**% change**	**2020**	**2019**	**% change**
£8.265m	£7.523m	10%	£5.8m	£1.0m	580%

Total employee pay in the year was impacted by an increase in the average number of employees from 70 to 75, as well as awards for career progression and promotion.

Total dividends for 2020 were 1.8p per share (2019: 0.304p per share), resulting in total dividends of £5.803m (2019: £0.977m). The percentage increase is largely a result of:

1. the Board's decision not to recommend a final dividend for 2019 given the economic uncertainty at the time created by COVID-19; and
2. an enhanced final dividend being declared for 2020 to compensate for no final dividend in 2019, having regard to the financial position of the Group at the time.

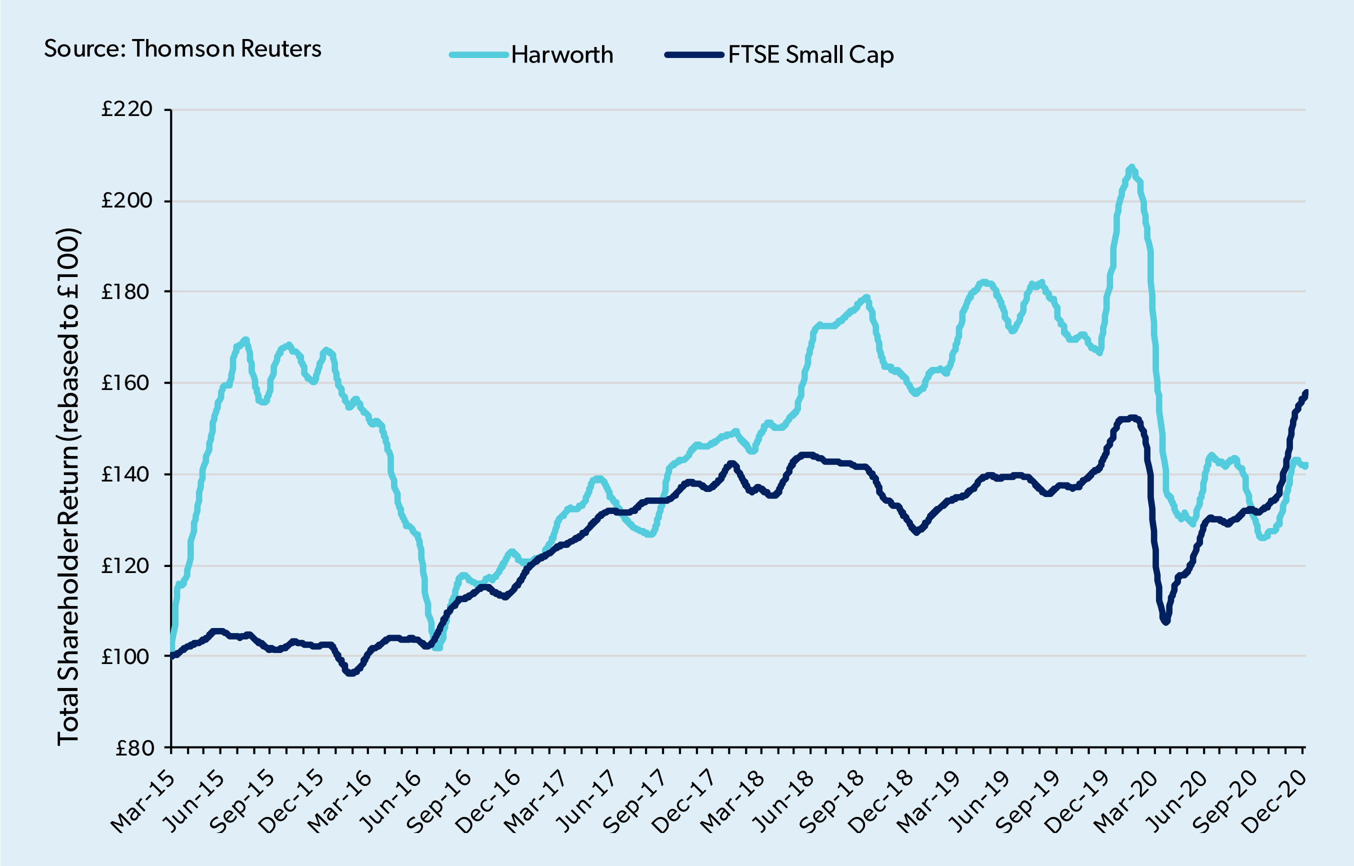
The percentage change is shown on a per share basis.

Review of past performance

The following chart shows the TSR of the Company and the FTSE Small Cap Index over the period from the Company's re-listing on 24 March 2015 to 31 December 2020. The FTSE Small Cap 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 2020:



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
2020	L. Shillaw	£76	n/a	n/a
	O. Michaelson	£537	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 LTIP as this was a one-off scheme put in place by HEPGL in 2013.

Payment to past directors (audited)

During the year, no payments were made to past Directors.

Exit payments made in the year (audited)

Owen Michaelson retired from the Board as Chief Executive on 1 November 2020 but remained with the business as a director of the Group's principal trading subsidiaries until 31 December 2020 to facilitate a smooth transition. The treatment of his remuneration in respect of his leaving the business is set out below.

- He continued to receive his salary, pension allowance and contractual benefits for the period 1 November 2020 to 31 December 2020 (as announced in the 2019 Directors' Remuneration Report).
- He earned a bonus of 64.17% of salary for the year ended 31 December 2020 as set out on page 124.
- His 2018 LTIP award vested at 5.05% of maximum as set out on page 124.
- His 2019 and 2020 free share awards under the Share Incentive Plan (comprising 970 shares and 960 shares respectively) vested in full and accordingly the shares were transferred to him following his leaving the business.
- On his retirement on 31 December 2020, his 2019 and 2020 Restricted Share Plan awards (comprising 123,535 shares and 156,250 shares respectively) remained capable of vesting. Whilst the default position would be to time apportion the vesting of these grants according to his time in role, after consulting and receiving support from the Group's major shareholders, the Committee has exercised the discretion it has under the Plan rules to allow the 2019 grant to vest in full (the default position would be a two-thirds vesting), and for two-thirds of the 2020 grant to vest (the default position would be a one-third vesting). The awards will vest and be released at the normal time following the respective holding periods, subject to the satisfaction of the performance underpins and the Committee's assessment of underlying business performance during the respective vesting periods. This decision reflects the fact Owen Michaelson gave the Company a longer notice than he was required to by his contract in order to facilitate a smooth transition to a new Chief Executive. Until he retired on 31 December 2020 he continued to work in the business. Our rationale also reflects the long-term nature of Harworth's business and the fact that decisions made in 2020 about sites make a substantial contribution to the results that we declare in 2021 and beyond. As examples of this, the business undertook a granular site-by-site reforecast during 2020 on the basis of which management took a view about the prospects of each site over the next several years which in turn have driven and will continue to drive decisions as to site progression and investment. The income and capital growth acquisition opportunities assessed and, where appropriate, executed under his leadership in 2020 will support both our financial resilience in future years and the potential for future value gains.

Implementation of Executive Directors' remuneration policy for 2021

Base salary

The Committee approved the following base salary increases for 2021:

Executive Director	Annual base salary at 1 January 2020 (or, if later date of appointment to the Board)	Annual base salary at 1 January 2021	Percentage increase
L. Shillaw	£400,000	£400,000	n/a
K. Patmore	£200,000	£250,000	25%

As set out in the introduction from the Committee Chair, in the view of the Board, Kitty Patmore has performed exceptionally strongly since her appointment in October 2019. After consulting the Group's major shareholders, the Committee has, therefore, determined that a discount to her predecessor's reward is no longer appropriate and that her salary should be increased to £250,000 effective from 1 January 2021.

In determining this increase the Committee has been mindful of the ongoing challenging environment. It has not, therefore, at this stage sought to address the fact that Ms Patmore's base salary and total compensation opportunity remains, after this change, positioned towards the bottom end of the market competitive range when compared to both other FTSE small cap listed companies of a similar size and complexity and other real estate peer companies. The Committee will continue to keep her remuneration under review over the next few years, taking into account both her performance in role and the wider performance of the Group.

Pension

Executive Directors will continue to receive a pension contribution of 10% of salary or an equivalent cash allowance. This is in line with the rate available to the majority of the wider workforce.

Performance related annual bonus

For 2021, the annual bonus opportunity for Lynda Shillaw and Kitty Patmore will be 100% of salary.

The performance measures have been rebalanced compared to 2020, with the introduction of: (1) Group net loan to portfolio value as an additional financial measure (providing an assessment of balance sheet strength); and (2) ESG measures aligned with the five themes of the "Harworth Way": Communities, Planet, People, Partners, Governance. The Committee considers that the performance measures are appropriately aligned with the Group's priorities for 2021.

Measure	Weighting (% of bonus opportunity)
Total accounting return	22.5%
Acquisitions	15%
Sales volume	15%
Profit excluding value gains	15%
Group net loan to portfolio value (assessment of balance sheet strength)	7.5%
Total on Group Financial Targets	**75%**
ESG measures aligned with the five themes of the "Harworth Way" (Communities, Planet, People, Partners, Governance)	5%
Personal objectives	20%

As regards the financial element, no bonus will be paid for achieving below threshold, up to 10% of the bonus may be paid for achieving threshold, increasing to 50% of the bonus for on target performance, and 100% of bonus for achieving maximum performance.

Payment of the ESG and personal elements is subject to the Committee's discretion in the event of material under-performance against the financial element and, in any event, the ESG and personal elements will not pay out unless there is a threshold level of pay-out under one or more of the financial elements.

The overall payment of the bonus will be subject to additional underpins based on the Company's health and safety record during the year, no deficiencies or material adverse issues arising which materially damage the reputation or performance of the business, and no covenant breach or financial irregularity. The Committee will also consider the experience of shareholders and the wider workforce when determining the bonus outcome.

Performance targets are considered to be commercially sensitive at this time but the Committee intends that they will be disclosed in the 2021 Annual Remuneration Report.

Restricted Share Plan award

Restricted Share Plan awards will be granted to the Chief Executive and Chief Financial Officer at 50% of salary in 2021. Vesting will be phased over a five-year period, with 33% vesting after three years, 33% after four years and 33% after five years, although all vested shares must be held to the end of year five.

The Restricted Share Plan 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 page 125 for further details.

Furthermore, the Committee has discretion to amend the vesting outcome if it is not deemed to reflect appropriately underlying business performance over the vesting period.

The Committee will disclose how performance underpins and underlying business performance over the vesting period have been taken into account at the time of vesting.

Implementation of Non-Executive Director remuneration policy for 2021

The Chair's and Non-Executive Directors' fees will be increased by 1.5% for 2021. Accordingly, the following fee levels will apply.

Chair	£162,400.00
Non-Executive Director fee	£45,675.00
Additional fee for holding the office of Senior Independent Director	£7,612.50
Additional fee for chairing the Remuneration Committee	£7,612.50
Additional fee for chairing the Audit Committee	£7,612.50

The Committee considers that the fees paid to Non-Executive Directors appropriately reflect the work and responsibilities associated with each role.

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 2020 (or earlier, if the Director has resigned). 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 middle market closing price for the shares on 31 December 2020 of 98.3 pence.

	Shares held			Options held					
	Beneficially owned	Vested but subject to holding period	Unvested and not subject to performance[1]	Unvested and subject to performance	Unvested and not subject to performance[2]	Vested and exercised during 2020	Shareholding requirement % salary	Current shareholding % salary	Requirement met?
O. Michaelson[3]	489,647	85,212	1,930	560,262	24,357	209,207	100%	173.9%	Y
L. Shillaw[4]	74,168	-	-	-	-	-	200%	18.2%	N
K. Patmore	11,212	-	960	96,154	24,357	-	200%	5.5%	N
A. Lyons	239,000	-	-	-		-	n/a	n/a	n/a
M. Bowes	-	-	-	-		-	n/a	n/a	n/a
A. Bromfield	22,192	-	-	-		-	n/a	n/a	n/a
L. Clement[5]	-	-	-	-		-	n/a	n/a	n/a
R. Cooke	-	-	-	-		-	n/a	n/a	n/a
A. Cunningham[5]	17,333	-	-	-		-	n/a	n/a	n/a
S. Underwood	38,385	-	-	-		-	n/a	n/a	n/a
L. Scenna[6]	-	-	-	-		-	n/a	n/a	n/a
P. O'Donnell Bourke[7]	40,000	-	-	-		-	n/a	n/a	n/a

(1) Free share awards under the Share Incentive Plan.
(2) Options granted under Save As You Earn scheme.
(3) Retired from the Board on 31 October 2020 and the holding cited is at this date.
(4) Appointed as Chief Executive with effect from 1 November 2020.
(5) Retired (Lisa Clement) and stepped down (Andrew Cunningham) from the Board on 31 October 2020 and the holding cited is at this date.
(6) Appointed as Non-Executive Director with effect from 1 September 2020.
(7) Appointed as Non-Executive Director with effect from 3 November 2020.

Between 31 December 2020 and the date of signing of these financial statements, the following changes have occurred:

- On 18 March 2021, Lynda Shillaw purchased 40,029 shares.
- On 18 March 2021, Kitty Patmore purchased 8,054 shares.
- On 5 April 2021, the nil cost option granted to Owen Michaelson in 2018 under the Harworth Group plc Long Term Incentive Plan vested in respect of 14,164 shares and lapsed in respect of 266,313 shares. At the time of going to print, Owen had not exercised his option.
- On 5 April 2021, nil cost options were granted to Lynda Shillaw under the Harworth Group plc Restricted Share Plan in respect of 156,739 shares.
- On 5 April 2021, nil cost options were granted to Kitty Patmore under the Harworth Group plc Restricted Share Plan in respect of 97,962 shares.

Summary of Shareholder voting

The table below shows the results of votes at the Harworth Group plc Annual General Meetings on: (1) 29 June 2020 on the resolution relating to the approval of the Annual Remuneration Report; and (2) 21 May 2019 on the resolution relating to the approval of the 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	222,301,070	98.47	3,444,900	1.53	48,207
Approval of Remuneration Policy	258,180,271	99.93	191,584	0.07	5,733,952

Angela Bromfield
Chair of the Remuneration Committee
22 April 2021


550-Acre Country Park at Logistics North, Bolton

Directors' Report

Introduction

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2020.

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
Agreements with Shareholders	Statement of Corporate Governance, p89
Annual General Meeting	Chair's introduction, p77 Statement of Corporate Governance, p92
Auditors	Audit Committee Report, p105
Composition and operation of administrative, management and supervisory bodies and committees	Statement of Corporate Governance, pp84-87
Directors' interests in shares	Directors' Remuneration Report, p130
Directors' remuneration	Directors' Remuneration Report, pp120-121
Disclosure of information to auditors	Statement of Directors' Responsibilities, p137
Diversity	Nomination Committee Report, pp98-100
Employee numbers	Strategic Report, p19
Employee engagement	Strategic Report, pp60-61
Employees with disabilities	Nomination Committee Report, p100
Employee share schemes	Strategic Report, p62 Directors' Remuneration Report, pp114-115
Engagement with stakeholders	Strategic Report, pp64-67
Future developments of the business	Strategic Report, pp6-15
Going concern	Statement of Directors' Responsibilities, pp136-137
Greenhouse gas emissions	Strategic Report, p52
Post-Balance sheet events	Strategic Report: Chief Executive's Statement, p23 Financial Statements, Note 32, p195
Risk management and internal controls (including in relation to financial reporting process)	Strategic Report, pp32-39 Audit Committee Report, p106 and p104
Significant related party transactions	Financial statements, Note 31, pp193-195
Viability statement	Strategic Report, pp40-41
UK Corporate Governance Code	Strategic Report, pp70-72 Statement of Corporate Governance, p82

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 2020 was £33.3m (2019: £30.3m). The net assets attributable to shareholders of the Group increased to £488.7m (2019: £463.8m) over the financial year. The Group's NAV per share and EPRA NDV per share rose by 5.2% (2019: 4.8%) and 2.8% (2019: 7.2%) respectively during the year.

The Board is recommending a final dividend of 1.466 pence per share which, together with the interim dividend of 0.334 pence per share paid in November 2020, makes a combined dividend of 1.8 pence (2019: 0.304 pence) per share. Payment of the final dividend, if approved at the 2021 AGM, will be made on 28 May 2021 to shareholders on the register at the close of business on 7 May 2021. The ex-dividend date will be 6 May 2021.

The dividend paid in the year to 31 December 2020 was 0.334 pence (2019: 0.937 pence) per share, comprising the interim dividend of 0.334 pence per share for the financial year ended 31 December 2020 only, there having been no final dividend paid for the financial year ending 31 December 2019 due to the uncertainty arising from the COVID-19 pandemic.

Share capital and allotment of shares

Details of the Company's issued share capital are shown in Note 27 to the Financial Statements on page 192. 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 Company's shares.

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, 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 2021 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 2020 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 2021 AGM and a resolution will be proposed for its renewal.

The Company's issued share capital as at 31 December 2019 was 321,909,382 ordinary shares of 10 pence each. During 2020 the issued share capital was increased as follows:

Date	Description	Number of shares issued	Price (discount if applicable)
6 April 2020	Vesting of LTIP awards	266,050	Nil consideration
25 June 2020	Grant of SIP awards	61,440	Nil consideration
2 July 2020	Exercise of SAYE options	21,712	80.6p (21.0%)
3 August 2020	Exercise of SAYE options	87,539	80.6p (19.4%)
17 August 2020	Exercise of SAYE options	3,796	80.6p (21.4%)
24 August 2020	Exercise of SAYE options	8,933	80.6p (19.2%)
7 September 2020	Exercise of SAYE options	22,332	80.6p (16.0%)
19 October 2020	Exercise of SAYE options	80,395	80.6p (14.1%)
2 November 2020	Exercise of SAYE options	6,699	80.6p (7.1%)
16 November 2020	Exercise of SAYE options	13,399	80.6p (20.6%)
30 November 2020	Exercise of SAYE options	15,632	80.6p (22.5%)
14 December 2020	Exercise of SAYE options	33,498	80.6p (19.1%)

As such, as at 31 December 2020, the Company's issued share capital was 322,530,807 ordinary shares of 10 pence each.

Since 31 December 2020, the Company's issued share capital has increased to 322,599,284 ordinary shares of 10p each, as follows:

Date	Description	Number of shares issued	Price (discount if applicable)
5 January 2021	Exercise of SAYE options	19,014	80.6p (20.6%)
30 March 2021	Vesting of LTIP awards	49,463	Nil consideration

Under Section 561 of the 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 2020 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 2020 AGM. The Directors propose to renew this authority at the 2021 AGM.

Purchase of the Company's own shares

The Company has authority under a shareholders' resolution passed at the 2020 AGM to purchase up to 32,217,542 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 2021 AGM. No shares have been purchased by the Company under that authority. A special resolution will be proposed at the 2021 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 year ended 31 December 2020 and up to the date of this Report are:

Chairman

Alastair Lyons
Chair

Executive Directors

Lynda Shillaw
Chief Executive, *Appointed 1 November 2020*

Katerina Patmore
Chief Financial Officer

Independent Non-Executive Directors

Angela Bromfield
Senior Independent Director

Ruth Cooke

Lisa Scenna
Appointed 1 September 2020

Patrick O'Donnell Bourke
Appointed 3 November 2020

Non-Executive Directors (not independent)

Steven Underwood

Martyn Bowes

Former Directors

Owen Michaelson
Chief Executive, *Retired 31 October 2020*

Lisa Clement
Senior Independent Director, *Retired 31 October 2020*

Andrew Cunningham
Independent Non-Executive Director, *Resigned 31 October 2020*

Biographical details of the current Directors are contained on pages 78 to 81.

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 116, 117 and 130. 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 2021 AGM.

Under the Company's Articles of Association, any Director appointed by the Board since the last AGM may only hold office until the date of the following AGM, at which time that Director must stand for election by shareholders. Lynda Shillaw, Lisa Scenna and Patrick O'Donnell Bourke will, therefore, be standing for election at the 2021 AGM. In accordance with the 2018 UK Corporate Governance Code, all other Directors will offer themselves for election or re-election at the 2021 AGM.

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 focuses on credit and liquidity risks to minimise potential adverse effects on the Group's financial performance; further detail, including the the Group's use of a financial instrument as part of managing the interest rate risk on external borrowings, is set out in note 24 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 his or her duties, may take independent professional advice at the Company's expense. No Director had reason to use this facility in 2020.

Charitable and political donations

The Group made charitable donations during 2020 in the aggregate sum of £43,700 (2019: £34,433). The Group supported two principal charities during the year: LandAid and The Wildlife Trusts.

No political donations were made during the year (2019: £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 2020 AGM for certain political donations and expenditure, subject to financial limits, and will seek to renew this authority at the 2021 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 Investment Plan awards are held by Yorkshire Building Society pending maturity. At 31 December 2020, the EBT held 4,726 (2019: 77,695) ordinary shares of 10 pence each in the Company and Yorkshire Building Society held 115,760 (2019: 54,320) ordinary shares of 10 pence each in the Company, being in aggregate 120,487 (2019: 132,015) shares which represent 0.04% 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 latest edition of 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 2020 AGM. The Directors are proposing to seek renewal of that authority at the 2021 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 Financial Conduct Authority'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	81,213,770	25.18%
Pension Protection Fund	80,374,189	24.91%
Goodweather Holdings Limited*	47,817,362	14.82%
Invesco Perpetual	14,719,631	4.56%
Citigroup Global Markets Limited	14,483,477	4.49%

* Goodweather Holdings Limited is a member of the Peel Holdings Group Limited.

The Company's relationship with the Pension Protection Fund (PPF) is governed by an 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 RCF agreement entered into between Royal Bank of Scotland plc and Harworth Estates Property Group Limited (HEPGL) in February 2015 and amended in August 2016, December 2016, August 2017, February 2018, April 2018, May 2020 and March 2021 (to which Santander is also now a party), 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 2020 are disclosed in Note 31 to the financial statements on pages 193 to 195.

The Directors' Report was approved by the Board of Directors and signed on its behalf by:

Chris Birch
Group General Counsel and Company Secretary
22 April 2021

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared both the Group and the Company Financial Statements in accordance with International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union and in accordance with the Companies Act 2006.

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 Company and of the profit or loss of the Group and Company for that period.

In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union 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 Group and Company will continue in business.

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

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

The Directors are responsible for the maintenance and integrity of the Company's website www.harworthgroup.com. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statements

Each of the Directors who were in office during the year ended 31 December 2020 and up to the date of this Report (see the list of names and roles on page 134) confirms that, to the best of his or her knowledge:

- the Group and Company Financial Statements, which have been prepared in accordance with applicable IFRSs adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union and in accordance with the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group and Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties they face; and
- the 2020 Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's and 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 Board prepared cash flow forecasts based upon its assumptions with particular consideration to the key risks and uncertainties, as well as taking into account available borrowing facilities. The going concern period assessed is until June 2022 which has been selected as it can be projected with a reasonable degree of expected accuracy and covers a complete period of reporting under the RCF.

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

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

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

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

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

Balance sheet and cashflow remain resilient throughout downside scenario analysis

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

- a severe reduction in sales to the housebuilding sector with some reduction in associated development spend;
- 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;
- a decline in residential land values; and
- removal of some uncommitted acquisitions and development spend.

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

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

Based on these considerations, together with available market information and the Directors' knowledge and experience of the Group's property portfolio and markets, the Directors considered it appropriate to adopt the going concern basis of accounting in the preparation of the 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 he or she is aware, there is no relevant audit information of which the auditors are unaware; and
- each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant information and to establish that the Group's and Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 Companies Act 2006.

This Statement of Directors' Responsibilities was approved by the Board and signed by order of the Board:

Chris Birch
Group General Counsel and Company Secretary
22 April 2021


WAVERLEY
JUNIOR
ACADEMY
WAVERLEY JUNIOR ACADEMY

Financial Statements

New junior school at Waverley New Community

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 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union;
- the Parent Company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 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 2020 which comprise:

Group	Parent Company
Consolidated income statement for the year ended 31 December 2020	Balance sheet as at 31 December 2020
Consolidated statement of comprehensive income for the year ended 31 December 2020	Company statement of changes in equity for the year ended 31 December 2020
Balance sheet as at 31 December 2020	Statement of cash flows for the year ended 31 December 2020
Consolidated statement of changes in equity for the year ended 31 December 2020	Related notes 1 to 32 to the financial statements including a summary of significant accounting policies
Statement of cash flows for the year ended 31 December 2020	
Related notes 1 to 32 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 International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards the Group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union, 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 are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC's) Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

- In conjunction with our walkthrough of the Group's financial close process, we confirmed our understanding of management's going concern assessment process and also engaged with management early to ensure all key risk factors we identified were considered in their assessment;
- We obtained management's going concern assessment, including the cash forecasts and covenant calculations for the going concern period which covers the period to 30 June 2022. The Group has modelled a base scenario and then a severe but plausible downside scenario in its cash forecasts and covenant calculations in order to incorporate unexpected changes to the forecasted liquidity of the Group.
- We have tested the factors and assumptions included in each modelled scenario for the cash forecasts and covenant calculations and we have considered the impact of COVID-19. We considered the appropriateness of the methods used to calculate the cash forecasts and covenant calculations and determined that they were appropriately sophisticated to be able to make an assessment on going concern.
- We considered the mitigating factors included in the cash forecasts and covenant calculations that are within control of the Group. This included review of the Company's non-operating cash outflows. We also verified the credit facilities available to the Group.
- We have performed reverse stress testing in order to identify what factors would lead to the Group utilising all liquidity or breaching the financial covenant during the going concern period.
- We reviewed 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's and Parent Company's ability to continue as a going concern over a period of 15 months (from when the financial statements are authorised for issue (to June 2022).

In relation to the Group's 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 6 components and audit procedures on specific balances for a further 5 components. • The components where we performed full or specific audit procedures accounted for 100% of the Group's Total assets, 99% of the Group's Profit before property revaluation movements, finance costs and tax and 98% of the Group's Revenue.
Key audit matters	• Valuation of investment properties • Carrying value of development property
Materiality	• Overall Group Materiality: £7.5m which represents 1% of total assets. • Specific Group Materiality: £0.6m which represents 5% of profit before property revaluation movements, finance costs and tax.
First year audit transition	The year ended 31 December 2020 is our first as auditor of the Group. We commenced our transition subsequent to our appointment on 13 July 2020. Our transition activities focused on evaluating key accounting judgements and the Group's accounting policies, undertaking a review of the predecessor auditor's files to consider the nature, timing and extent of audit procedures performed in forming the prior year opinion and understanding and walking through the key processes of the Group.

Independent Auditor's Report to The Members of Harworth Group Plc

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 33 reporting components of the Group, we selected 11 components, which represent the principal business units within the Group.

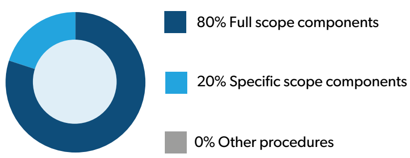
Of the 11 components selected, we performed an audit of the complete financial information of 6 components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 5 components ("specific scope components"), we performed audit procedures on specific 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% of the Group's Total assets, 99% of the Group's Profit before property revaluation movements, finance costs and tax and 98% of the Group's Revenue. For the year ended 31 December 2020, the full scope components contributed 80% of the Group's Total assets, 98% of the Group's Profit before property revaluation movements, finance costs and tax and 70% of the Group's Revenue. The specific scope component contributed 20% of the Group's Total assets, 1% of the Group's Profit before property revaluation movements, finance costs and tax and 28% 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 balances tested for the Group.

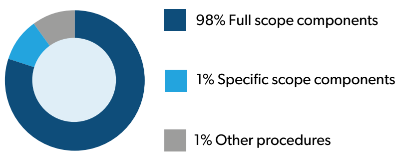
Of the remaining 22 components that together represent 1% of the Group's Profit before property revaluation movements, finance costs and tax and 2% of the Group's Revenue, none are individually greater than 1% of the Group's Profit before property revaluation movements, finance costs and tax or the Group's Revenue. For these components, we performed other procedures, including 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.

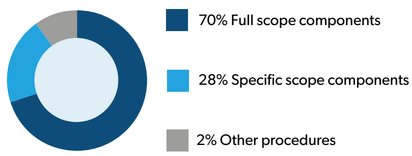
Total assets



Profit before property revaluation movements, finance costs and tax



Revenue



Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

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 (£373.1m, 2019: £293.8m) *Refer to the Audit Committee Report (pages 101 to 107); Accounting policies (page 159); and Note 14 of the Consolidated Financial Statements (pages 174 to 176)* At 31 December 2020 Investment property held a value of £373.1m, with a valuation gain of £37.9m reported in the year. Property valuations are calculated by independent external valuers 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.	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. EY Valuations and Audit team members attending a sample of key sites, alongside the external valuer to gain a detailed understanding of the portfolio and the valuation process and to observe the external valuer's inspection. Assessing the appropriateness of a sample of valuations, with the assistance of our EY Valuations specialists, through: • Reading the external valuer reports and holding discussions directly with the external valuer regarding their valuation approach, and • Testing the underlying data used by the external valuer in forming its valuation including; benchmarking, validating key assumptions to supporting third party evidence or market activity and considering contrary evidence 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 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 valuation of investment properties held as of the balance sheet date is appropriate and that property held as investment property is classified appropriately.
Carrying value of Development Property (£177.7m, 2019: £202.1m) *Refer to the Audit Committee Report (pages 101 to 107); Accounting policies (page 158); and Note 17 of the Consolidated Financial Statements (pages 180 to 181)* Development property has a book value of £177.7m at 31 December 2020.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.	Our approach to assessing the net realisable value of development property included performing the same procedures as for investment property, as listed above. 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 • For a sample of acquisitions and disposals made in the year, agreeing key contract details to legal documentation to, confirm the terms of sale have been appropriately reflected in the accounting treatment 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 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 valuation of development properties held as of the balance sheet date is appropriate and have been appropriately considered in assessing impairment of the assets held.

Independent Auditor's Report to The Members of Harworth Group Plc

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.

Overall materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the Financial statements as a whole. We determined 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 focussed on the valuation of the Group's assets; primarily the investment property portfolio. We used 1% of total assets (£7.5m) which is consistent with the predecessor auditor's materiality in the prior year.

We determined materiality for the Parent Company to be £2.2 million, which is 1% of total assets, being the primary focus of the users of the Financial statements.

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. The predecessor auditor calculated specific materiality using profit before tax excluding investment property valuation gains.

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 and this being an initial audit, together with our assessment of the Group's overall control environment, our judgement was that overall performance materiality and specific performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 50% of the respective materiality, being £3.7m.

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 the Committee any uncorrected audit differences on investment properties, loans and borrowings in excess of £0.4m, as well as uncorrected audit differences in excess of £40k that relate to our specific testing of the other account balances not related to investment properties, loans and borrowings. These are set at 5% of their respective planning materiality. We also agreed to report 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 137, 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 there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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 Code 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.

Independent Auditor's Report to The Members of Harworth Group Plc

Corporate Governance Statement

The Listing Rules require us to review 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.

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 pages 136 to 137;
- Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on pages 40 to 41;
- 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 40 to 41;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 106 to 107; and;
- The section describing the work of the Audit Committee set out on pages 101 to 107.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 136, 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 (IFRS, the Companies Act 2006 and UK Corporate Governance Code).
- We understood how Harworth Group plc is complying with those frameworks by making enquiries of management, those responsible for legal and compliance procedures and the Company Secretary. We corroborate our enquiries through our review of board minutes, papers provided to 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

FRC's website at https://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 1 year, covering the year ended 31 December 2020.
- 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.
- 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
Leeds
22 April 2021

Consolidated Income Statement

for the year ended 31 December 2020

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Revenue	3	**70,001**	85,455
Cost of sales	3	**(59,385)**	(57,512)
Gross profit	3	**10,616**	27,943
Administrative expenses	3	**(14,522)**	(12,926)
Other gains	3	**31,734**	9,313
Other operating expense	3	**(63)**	(69)
Operating profit	3	**27,765**	24,261
Finance costs	6	**(3,473)**	(2,775)
Finance income	6	**377**	368
Share of profit of joint ventures	15	**8,655**	8,449
Profit before tax		**33,324**	30,303
Tax charge	8	**(7,528)**	(4,823)
Profit for the financial year		**25,796**	25,480

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	**8.0**	7.9
Diluted earnings per share	11	**8.0**	7.9

The Notes on pages 156 to 195 are an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2020

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Profit for the financial year		**25,796**	25,480
Other comprehensive (expense)/ income - *items that will not be reclassified to profit or loss:*			
Net actuarial loss in Blenkinsopp Pension scheme	25	**(339)**	(430)
Revaluation of Group occupied property		**48**	–
Deferred tax on other comprehensive expense items	8	**115**	149
Other comprehensive income - *items that may be reclassified to profit or loss:*			
Fair value of financial instruments	23	**(267)**	(449)
Total other comprehensive expense		**(443)**	(730)
Total comprehensive income for the financial year		**25,353**	24,750

Consolidated Balance Sheet

as at 31 December 2020

	Note	As at 31 December 2020 £'000	As at 31 December 2019 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**1,007**	1,050
Right of use assets	13	**170**	122
Trade and other receivables	18	**–**	12,754
Investment properties	14	**373,079**	293,840
Investment in joint ventures	15	**25,316**	33,072
		399,572	340,838
Current assets			
Inventories	17	**182,666**	205,900
Trade and other receivables	18	**56,441**	46,455
Assets classified as held for sale	19	**7,594**	11,252
Cash	20	**12,710**	11,833
		259,411	275,440
Total assets		**658,983**	616,278
LIABILITIES			
Current liabilities			
Borrowings	21	**–**	(2,842)
Trade and other payables	22	**(66,486)**	(56,608)
Lease liability	13	**(77)**	(58)
Current tax liabilities	8	**(209)**	(2,725)
		(66,772)	(62,233)
Net current assets		**192,639**	213,207
Non-current liabilities			
Borrowings	21	**(83,882)**	(79,902)
Trade and other payables	22	**(1,954)**	(1,200)
Lease liability	13	**(102)**	(70)
Derivative financial instruments	23	**(826)**	(558)
Deferred income tax liabilities	8	**(15,767)**	(7,765)
Retirement benefit obligations	25	**(968)**	(771)
		(103,499)	(90,266)
Total liabilities		**(170,271)**	(152,499)
Net assets		**488,712**	463,779
SHAREHOLDERS' EQUITY			
Capital and reserves			
Called up share capital	27	**32,253**	32,191
Share premium account	28	**24,567**	24,359
Fair value reserve		**132,833**	116,121
Capital redemption reserve		**257**	257
Merger reserve		**45,667**	45,667
Investment in own shares		**(73)**	(67)
Retained earnings		**227,412**	219,771
Current year profit		**25,796**	25,480
Total shareholders' equity		**488,712**	463,779

The financial statements on pages 148 to 195 were approved by the Board of Directors on 22 April 2021 and were signed on its behalf by:

Lynda Shillaw
Chief Executive

Katerina Patmore
Chief Financial Officer

Company Registered Number 02649340

Company Balance Sheet

as at 31 December 2020

	Note	As at 31 December 2020 £'000	As at 31 December 2019 £'000
ASSETS			
Non-current assets			
Investments in subsidiaries	15	**208,974**	208,473
Retirement asset	25	**968**	771
Deferred income tax assets	8	**2,142**	1,970
		212,084	211,214
Current assets			
Trade and other receivables	18	**29,495**	29,167
Cash	20	**1,652**	1,506
		31,147	30,673
Total assets		**243,231**	241,887
LIABILITIES			
Current liabilities			
Trade and other payables	22	**(14,800)**	(10,155)
		(14,800)	(10,155)
Net current assets		**16,347**	20,518
Non-current liabilities			
Retirement benefit obligations	25	**(968)**	(771)
		(968)	(771)
Total liabilities		**(15,768)**	(10,926)
Net assets		**227,463**	230,961
SHAREHOLDERS' EQUITY			
Called up share capital	27	**32,253**	32,191
Share premium account	28	**24,567**	24,359
Capital redemption reserve		**257**	257
Merger reserve		**45,667**	45,667
Investment in own shares		**(73)**	(67)
Retained earnings		**127,709**	130,468
Current year loss		**(2,917)**	(1,914)
Total shareholders' equity		**227,463**	230,961

The financial statements on pages 148 to 195 were approved by the Board of Directors on 22 April 2021 and were signed on its behalf by:

Lynda Shillaw
Chief Executive

Katerina Patmore
Chief Financial Officer

Company Registered Number 02649340

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020

	Note	Called up share capital £'000	Share premium £'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 2019		**32,150**	**24,351**	**45,667**	**118,563**	**257**	**(194)**	**221,142**	**441,936**
Profit for the financial year		–	–	–	–	–	–	25,480	25,480
Fair value gains		–	–	–	10,090	–	–	(10,090)	–
Transfer of unrealised gains on disposal of properties		–	–	–	(12,532)	–	–	12,532	–
Other comprehensive (expense)/income:									
Actuarial loss in Blenkinsopp pension scheme	25	–	–	–	–	–	–	(430)	(430)
Fair value of financial instruments	23	–	–	–	–	–	–	(449)	(449)
Deferred tax on other comprehensive (expense)/income items	8	–	–	–	–	–	–	149	149
Total comprehensive (expense)/income for the year ended 31 December 2019		**–**	**–**	**–**	**(2,442)**	**–**	**–**	**27,192**	**24,750**
Transaction with owners:									
Share-based payments	26	–	–	–	–	–	127	(71)	56
Dividends paid	10	–	–	–	–	–	–	(3,012)	(3,012)
Share issue	27, 28	41	8	–	–	–	–	–	49
Balance at 31 December 2019		**32,191**	**24,359**	**45,667**	**116,121**	**257**	**(67)**	**245,251**	**463,779**
Profit for the financial year		–	–	–	–	–	–	25,796	25,796
Fair value gains		–	–	–	35,658	–	–	(35,658)	–
Transfer of unrealised gains on disposal of properties		–	–	–	(18,994)	–	–	18,994	–
Other comprehensive (expense)/income:									
Actuarial loss in Blenkinsopp pension scheme	25	–	–	–	–	–	–	(339)	(339)
Revaluation of Group occupied property		–	–	–	48	–	–	–	48
Fair value of financial instruments	23	–	–	–	–	–	–	(267)	(267)
Deferred tax on other comprehensive (expense)/income items	8	–	–	–	–	–	–	115	115
Total comprehensive income for year ended 31 December 2020		**–**	**–**	**–**	**16,712**	**–**	**–**	**8,641**	**25,353**
Transaction with owners:									
Share-based payments	26	–	–	–	–	–	(6)	393	387
Dividends paid	10	–	–	–	–	–	–	(1,077)	(1,077)
Share issue	27, 28	62	208	–	–	–	–	–	270
Balance at 31 December 2020		**32,253**	**24,567**	**45,667**	**132,833**	**257**	**(73)**	**253,208**	**488,712**

Company Statement of Changes in Equity

for the year ended 31 December 2020

	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 2019		**32,150**	**24,351**	**45,667**	**257**	**(194)**	**133,928**	**236,159**
Loss for the financial year		–	–	–	–	–	(1,914)	(1,914)
Actuarial loss in Blenkinsopp pension scheme	25	–	–	–	–	–	(430)	(430)
Deferred tax on actuarial loss on pension scheme		–	–	–	–	–	73	73
Total comprehensive expense for the year ended 31 December 2019		**–**	**–**	**–**	**–**	**–**	**(2,271)**	**(2,271)**
Transaction with owners:								
Share-based payments		–	–	–	–	127	(91)	36
Dividends paid	10	–	–	–	–	–	(3,012)	(3,012)
Share issue	27, 28	41	8	–	–	–	–	49
Balance at 31 December 2019		**32,191**	**24,359**	**45,667**	**257**	**(67)**	**128,554**	**230,961**
Loss for the financial year		–	–	–	–	–	(2,917)	(2,917)
Actuarial loss in Blenkinsopp pension scheme	25	–	–	–	–	–	(339)	(339)
Deferred tax on actuarial loss on pension scheme		–	–	–	–	–	64	64
Total comprehensive expense for the year ended 31 December 2020		**–**	**–**	**–**	**–**	**–**	**(3,192)**	**(3,192)**
Transactions with owners:								
Share-based payments		–	–	–	–	(6)	507	501
Dividend paid	10	–	–	–	–	–	(1,077)	(1,077)
Share issue	27, 28	62	208	–	–	–	–	270
Balance at 31 December 2020		**32,253**	**24,567**	**45,667**	**257**	**(73)**	**124,792**	**227,463**

Consolidated Statement of Cash Flows

for the year ended 31 December 2020

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Cash flows from operating activities			
Profit before tax for the financial year		**33,324**	30,303
Net finance costs	6	**3,096**	2,407
Other gains	3	**(31,734)**	(9,313)
Share of profit of joint ventures	15	**(8,655)**	(8,449)
Share-based transactions(1)	26	**618**	(19)
Depreciation of property, plant and equipment and right of use assets	12, 13	**285**	139
Pension contributions in excess of charge	25	**(140)**	(120)
Operating cash (outflow)/inflow before movements in working capital		**(3,206)**	14,948
Decrease in inventories		**19,385**	2,161
Decrease in receivables		**2,768**	7,490
Increase in payables		**6,830**	4,953
Cash generated from operations		**25,777**	29,552
Interest paid		**(2,924)**	(2,337)
Corporation tax paid		**(2,127)**	(1)
Cash generated from operating activities		**20,726**	27,214
Cash flows from investing activities			
Interest received		**377**	368
Investment in joint ventures		**(289)**	(2,592)
Distributions from joint ventures		**8,930**	3,799
Acquisition of group of assets	16	**(4,092)**	–
Net proceeds from disposal of investment properties, assets held for sale and overages		**27,651**	18,108
Expenditure on investment properties and assets held for sale		**(51,987)**	(49,574)
Expenditure on property, plant and equipment		**(115)**	(352)
Cash used in investing activities		**(19,525)**	(30,243)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares		**237**	49
Repayment of bank loans		**(78,000)**	(15,000)
Proceeds from bank loans		**82,000**	32,000
Repayment of other loans		**(2,932)**	(7,669)
Loan arrangement fees		**(479)**	(62)
Payment in respect of leases		**(73)**	(39)
Dividends paid	10	**(1,077)**	(3,012)
Cash (used in)/generated from financing activities		**(324)**	6,267
Increase in cash		**877**	3,238
At 1 January			
Cash		**11,833**	8,595
Increase in cash		**877**	3,238
At 31 December			
Cash		**12,710**	11,833

(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 2020

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Cash flows from operating activities			
Loss before tax for the financial year		**(3,110)**	(1,859)
Net interest receivable		**(300)**	(452)
Share-based transactions[1]		**118**	(64)
Pension contributions in excess of charge		**(339)**	(120)
Operating cash outflows before movements in working capital		**(3,631)**	(2,495)
(Increase)/decrease in receivables		**(328)**	1,052
Increase in payables		**4,645**	4,344
Cash used in operations		**686**	2,901
Interest paid		**(281)**	(196)
Cash generated from operating activities		**405**	2,705
Cash flows from investing activities			
Interest received		**581**	648
Cash generated from investing activities		**581**	648
Cash flows from financing activities			
Net proceeds from issue of ordinary shares		**237**	49
Dividends paid	10	**(1,077)**	(3,012)
Cash used in financing activities		**(840)**	(2,963)
Increase in cash		**146**	390
At 1 January			
Cash		**1,506**	1,116
Increase in cash		**146**	390
At 31 December			
Cash		**1,652**	1,506

(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 2020

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.

Basis of preparation

The Group and Company financial statements of Harworth Group plc have been prepared on the going concern basis and in accordance with applicable IFRSs adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union. 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.

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 Board prepares forecasts based upon its assumptions with particular consideration to the key risks and uncertainties as summarised in the 'Effectively managing our risks' section, as well as taking into account available borrowing facilities. The going concern period assessed is until June 2022 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 Revolving Credit Facility.

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

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

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

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

In May 2020, RBS and Santander agreed to increase the limit of the Revolving Credit Facility to £130m and provided greater flexibility in covenants for part of the going concern period.

Balance sheet and cashflow remain resilient throughout downside scenario analysis.

1. Accounting policies: continued

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

- A severe reduction in sales to the housebuilding sector with some reduction in associated development spend;
- 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;
- A decline in residential land values; and
- Removal of some uncommitted acquisitions and development spend

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

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

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

Accounting policies

Changes in accounting policy and disclosures

(a) New standards, amendments and interpretations

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2020 and have not been applied in preparing these financial statements. None of these have a significant effect on the financial statements of the Group.

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

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

Revenue recognition

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

Revenue comprises rental and other land related income arising on investment properties, income from construction contracts, planning promotion agreements, promote fees and overages, the sale of coal fines and the sale of development properties.

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

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 when it is highly probable that all performance obligations have been completed.

Revenue from the sale of coal fines is recognised at the point of despatch.

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

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

Notes to the financial statements

for the year ended 31 December 2020: continued

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 in line with when performance obligations are deemed to be satisfied. 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 slurry that has been processed and is 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.

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 acts as an agent in exchange for a fee of 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. Upon reimbursement, inventory is reduced by the value of the reimbursed cost.

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.

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.

1. Accounting policies: continued

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 twelve months, a sale is considered highly probable and the property is immediately available for sale, their fair value is shown under assets classified as held for sale within current assets, measured in accordance with the provisions of IAS 40 'Investment Property'.

Profit or loss on disposal of investment properties

Disposals are accounted for when control of the investment property 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.

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 derecognised 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.

Notes to the financial statements

for the year ended 31 December 2020: continued

1. Accounting policies: continued

Financial liabilities

Liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss or other liabilities, as appropriate. A financial liability is de-recognised when the obligation under the liability is discharged, or cancelled or expires.

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

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

Pension obligations

The Group contributes to defined contribution schemes for its current employees. The cost of this 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 2020 and 31 December 2019 all contributions have been paid to the pension fund by the Company.

In the Company balance sheet, a net liability equal to the IAS 19 (revised) liability is recognised, offset by 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 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.

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 business space 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 (including structured 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.

1. Accounting policies: continued

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 accounting policy.

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 transferred to the revaluation reserve. Deficits on revaluations are charged against the revaluation reserve to the extent that there are available surpluses relating to the same asset and are otherwise charged to the Statement of Comprehensive Income.

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 3 to 4 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 twelve 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.

Notes to the financial statements

for the year ended 31 December 2020: continued

1. Accounting policies: continued

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.

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.

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.

Taxation

The recognition of tax losses and deferred tax assets is a judgement and continues to be reviewed and re-assessed during the year. The 2020 review did not result in the recognition of any previously unrecognised tax losses (2019: £1.9m).

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.

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 assets held for sale 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.

New EPRA APMs

In October 2019, EPRA published new best practice recommendations (BPR) for financial disclosures by public real estate companies. The BPR introduced three new measures of net asset value; EPRA net tangible assets (NTA), EPRA net reinvestment value (NRV) and EPRA net disposal value (NDV). The Group has adopted these new guidelines from 1 January 2020 and considers EPRA NDV to be the most relevant of these new measures and therefore this now acts as our primary measure of net asset value replacing EPRA NNNAV. Total return, another of our key APMs, is now calculated based upon EPRA NDV rather than EPRA NNNAV.

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
- 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, assets held for sale and overages
- Profit excluding value gains (PEVG) – Property net rental, royalty and fee income, net of running costs of the business which represents the underlying profitability of the business not reliant on property value gains or profits from the sales of development and investment properties
- Net loan to portfolio value (Net LTV) – Group debt net of cash held expressed as a percentage of portfolio value

Notes to the financial statements

for the year ended 31 December 2020: continued

2. Alternative Performance Measures ("APMs"): continued

Changes to APMs

The APMs have been changed for the inclusion of the new EPRA net asset value measures described above and the EPRA NDV per share growth metric has been replaced with EPRA NDV per share. Other than these changes, the Group's APMs have been defined, calculated and used on a consistent basis. The previously reported EPRA measures of net assets are also included below for comparative purposes.

31 December 2020	**EPRA NDV £'000**	**EPRA NTA £'000**	**EPRA NRV £'000**	**EPRA NNNAV £'000**	**EPRA NAV £'000**
Net assets attributable to shareholders	**488,712**	**488,712**	**488,712**	**488,712**	**488,712**
Cumulative unrealised gains on development properties	**29,848**	**29,848**	**29,848**	**29,848**	**29,848**
Cumulative unrealised gains on assets held for sale	**775**	**775**	**775**	**775**	**775**
Cumulative unrealised gains on overages	**3,000**	**3,000**	**3,000**	**3,000**	**3,000**
Deferred tax liabilities (IFRS)	**–**	**15,767**	**15,767**	**–**	**15,767**
Notional deferred tax on unrealised gains	**(6,388)**	**–**	**–**	**(6,388)**	**–**
Deferred tax liabilities @50%	**–**	**(11,078)**	**–**	**–**	**–**
Mark to market valuation of financial instruments	**–**	**826**	**826**	**–**	**826**
Purchaser costs	**–**	**–**	**42,973**	**–**	**–**
Net assets used in per share calculation	**515,947**	**527,850**	**581,901**	**515,947**	**538,928**

31 December 2019	EPRA NDV £'000	EPRA NTA £'000	EPRA NRV £'000	EPRA NNNAV £'000	EPRA NAV £'000
Net assets attributable to shareholders	463,779	463,779	463,779	463,779	463,779
Cumulative unrealised gains on development properties	40,135	40,135	40,135	40,135	40,135
Cumulative unrealised gains on assets held for sale	584	584	584	584	584
Cumulative unrealised gains on overages	3,566	3,566	3,566	3,566	3,566
Deferred tax liabilities (IFRS)	–	7,765	7,765	–	7,765
Notional deferred tax on unrealised gains	(7,529)	–	–	(7,529)	–
Deferred tax liabilities @50%	–	(7,647)	–	–	–
Mark to market valuation of financial instruments	–	558	558	–	558
Purchaser costs	–	–	40,691	–	–
Net assets used in per share calculation	500,535	508,740	557,078	500,535	516,387

Set out below is a reconciliation of the APMs used in these results to the statutory measures.

1) Reconciliation to statutory measures

	Note	**Year ended 31 December 2020 £'000**	Year ended 31 December 2019 £'000
a. Revaluation gains			
Increase in fair value of investment properties	3	**25,405**	5,841
Decrease in fair value of assets classified as held for sale	3	**(295)**	(229)
Share of profit of joint ventures	3	**8,655**	8,449
Net realisable value provision of development properties	3	**(16,208)**	(3,574)
Reversal of previous net realisable value provision of development properties	3	**4,408**	3,061
Amounts derived from statutory reporting		**21,965**	13,548
Unrealised (losses)/gains on development properties		**(5,992)**	21,385
Unrealised gains on assets held for sale		**191**	584
Unrealised (losses)/gains on overages		**(566)**	25
Revaluation gains		**15,598**	35,542

b. Profit on sale			
Profit on sale of investment properties	3	**5,030**	545
Profit on sale of assets classified as held for sale	3	**554**	3,156
Profit on sale of development properties	3	**2,999**	10,882
Release of net realisable value provision on disposal of development properties	3	**1,359**	1,168
Profit on sales of overages	3	**1,040**	–
Amounts derived from statutory reporting		**10,982**	15,751
Unrealised gains on development properties released on sale in the year		**(4,295)**	(7,247)
Profit on sale		**6,687**	8,504

2. Alternative Performance Measures ("APMs"): continued

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
c. Value gains			
Revaluation gains		**15,598**	35,542
Profit on sale		**6,687**	8,504
Value gains		**22,285**	44,046
d. Profit excluding value gains (PEVG)			
Operating profit		**27,765**	24,261
Add pension charge		**63**	69
Less other gains	3	**(31,734)**	(9,313)
Add/(less) gross profit/(loss) from development properties	3	**7,442**	(11,537)
PEVG		**3,536**	3,480
e. Total property sales			
Revenue		**70,001**	85,455
Less revenue from other property activities	3	**(2,676)**	(964)
Less revenue from income generation activities	3	**(20,396)**	(23,468)
Add proceeds from sales of investment properties, assets held for sale and overages		**28,858**	18,836
Total property sales		**75,787**	79,859
f. Operating profit contributing to growth in EPRA NDV			
Operating profit		**27,765**	24,261
Shares of profit of joint ventures	15	**8,655**	8,449
Unrealised (losses)/gains on development properties		**(5,992)**	21,385
Unrealised gains on assets classified as assets held for sale		**191**	584
Unrealised (losses)/gains on overages		**(566)**	25
Less previously unrealised gains on development properties released on sale		**(4,295)**	(7,247)
Operating profit contributing to growth in EPRA NDV		**25,758**	47,457

	Note	As at 31 December 2020 £'000	As at 31 December 2019 £'000
g. Portfolio value			
Land and buildings (included within Property, plant and equipment)		**835**	787
Investment properties		**373,079**	293,840
Investments in joint ventures		**25,316**	33,072
Assets classified as held for sale		**7,594**	11,252
Development properties	17	**177,712**	202,092
Amounts derived from statutory reporting		**584,536**	541,043
Cumulative unrealised gains on development properties as at year end		**29,848**	40,135
Cumulative unrealised gains on assets held for sale as at year end		**775**	584
Cumulative unrealised gains on overages as at year end		**3,000**	3,566
Portfolio value		**618,159**	585,328
h. Net debt			
Gross borrowings	21	**(83,882)**	(82,744)
Cash		**12,710**	11,833
Net debt		**(71,172)**	(70,911)
i. Net loan to portfolio value %			
Net debt		**(71,172)**	(70,911)
Portfolio value		**618,159**	585,328
Net loan to portfolio value (%)		**11.5%**	12.1%

Notes to the financial statements

for the year ended 31 December 2020: continued

2. Alternative Performance Measures ("APMs"): continued

j. Net loan to core income portfolio value (%)		As at 31 December 2020 £'000	As at 31 December 2019 £'000
Net debt		**(71,172)**	(70,911)
Income portfolio value (business space and natural resources)	14	**248,004**	200,984
Net loan to core income portfolio value (%)		**28.7%**	35.3%

k. Gross loan to portfolio value			
Gross borrowings	21	**(83,882)**	(82,744)
Portfolio value		**618,159**	585,328
Gross loan to portfolio value (%)		**13.6%**	14.1%

l. Gross loan to core income portfolio value (%)			
Gross borrowings	21	**(83,882)**	(82,744)
Income portfolio value (business space and natural resources)	14	**248,004**	200,984
Gross loan to core income portfolio value (%)		**33.8%**	41.2%

m. Number of shares used for per share calculations			
Number of shares in issue at 31 December	27	**322,530,807**	321,909,382
Employee Benefit Trust Shares (own shares) at 31 December	27	**(120,487)**	(132,015)
Number of shares used for per share calculations	27	**322,410,320**	321,777,367

n. Net Asset Value (NAV) per share			
NAV £'000		**488,712**	463,779
Number of shares used for per share calculations		**322,410,320**	321,777,367
NAV per share (p)		**151.6**	144.1

2) Reconciliation to EPRA measures

	Note	As at 31 December 2020 £'000	As at 31 December 2019 £'000
a. EPRA NDV			
Net assets		**488,712**	463,779
Cumulative unrealised gains on development properties		**29,848**	40,135
Cumulative unrealised gains on assets held for sale		**775**	584
Cumulative unrealised gains on overages		**3,000**	3,566
Notional deferred tax on unrealised gains		**(6,388)**	(7,529)
EPRA NDV		**515,947**	500,535

b. EPRA NDV per share (p)			
EPRA NDV £'000		**515,947**	500,535
Number of shares used at 31 December for per share calculations	27	**322,410,320**	321,777,367
EPRA NDV per share (p)		**160.0**	155.6

c. EPRA NDV growth and total return			
Opening EPRA NDV/share (p)		**155.6**	145.2
Closing EPRA NDV/share (p)		**160.0**	155.6
Movement in the year		**4.4**	10.4
EPRA NDV growth		**2.8%**	7.2%
Dividends paid per share (p)		**0.3**	0.9
Total return per share		**4.7**	11.3
Total return as a percentage of opening EPRA NDV		**3.0%**	7.8%

d. Net loan to EPRA NDV			
Net debt		**(71,172)**	(70,911)
EPRA NDV		**515,947**	500,535
Net loan to EPRA NDV		**13.8%**	14.2%

3. Segmental Information

Segmental Income Statement

31 December 2020

	Capital Growth				
	Sale of Development Properties £'000	Other Property Activities £'000	Income Generation £'000	Central overheads £'000	Total £'000
Revenue	**46,929**	**2,676**	**20,396**	**–**	**70,001**
Cost of sales	(54,371)	(1,834)	(3,180)	–	**(59,385)**
Gross profit[1]	**(7,442)**	**842**	**17,216**	**–**	**10,616**
Administrative expenses	–	(3,080)	(1,872)	(9,570)	**(14,522)**
Other gains[2]	–	12,598	19,136	–	**31,734**
Other operating expense	–	–	–	(63)	**(63)**
Operating profit/(loss)	**(7,442)**	**10,360**	**34,480**	**(9,633)**	**27,765**
Net finance income/(costs)	–	367	1	(3,464)	(3,096)
Share of profit of joint ventures	–	7,953	702	–	8,655
Profit/(loss) before tax	**(7,442)**	**18,680**	**35,183**	**(13,097)**	**33,324**

(1) Gross profit					
Gross profit is analysed as follows:					
Gross profit excluding sales of development properties	–	842	17,216	–	18,058
Gross profit on sale of development properties	2,999	–	–	–	2,999
Net realisable value provision on development properties	(16,208)	–	–	–	(16,208)
Reversal of previous net realisable value provision on development properties	4,408	–	–	–	4,408
Release of net realisable value provision on disposal of development properties	1,359	–	–	–	1,359
	(7,442)	**842**	**17,216**	**–**	**10,616**
(2) Other gains					
Other gains are analysed as follows:					
Increase in fair value of investment properties	–	6,459	18,946	–	25,405
Decrease in the fair value of assets classified as held for sale	–	–	(295)	–	(295)
Profit/(loss) on sale of investment properties	–	5,099	(69)	–	5,030
Profit on sale of assets classified as held for sale	–	72	482	–	554
Profit on sale of overages	–	968	72	–	1,040
	–	**12,598**	**19,136**	**–**	**31,734**

Segmental Balance Sheet

	Capital Growth £'000	Income Generation £'000	Central overheads £'000	Total £'000
Non-current assets				
Property, plant and equipment	–	–	1,007	**1,007**
Right of use assets	–	–	170	**170**
Investment properties	118,940	254,139	–	**373,079**
Investments in joint ventures	13,434	11,882	–	**25,316**
	132,374	**266,021**	**1,177**	**399,572**
Current assets				
Inventories	182,017	649	–	**182,666**
Trade and other receivables	39,736	12,574	4,131	**56,441**
Assets classified as held for sale	1,384	6,210	–	**7,594**
Cash and cash equivalents	–	–	12,710	**12,710**
	223,137	**19,433**	**16,841**	**259,411**
Total assets	**355,511**	**285,454**	**18,018**	**658,983**

Financial liabilities and derivative financial instruments are not allocated to the reporting segments as they are managed and measured on a Group basis.

Notes to the financial statements

for the year ended 31 December 2020: continued

3. Segmental Information: continued

Segmental Income Statement

31 December 2019

	Capital Growth				
	Sale of Development Properties £'000	Other Property Activities £'000	Income Generation £'000	Central overheads £'000	Total £'000
Revenue	**61,023**	**964**	**23,468**	**–**	**85,455**
Cost of sales	(49,486)	(960)	(7,066)	–	**(57,512)**
Gross profit[1]	**11,537**	**4**	**16,402**	**–**	**27,943**
Administrative expenses	–	(2,650)	(2,248)	(8,028)	**(12,926)**
Other gains[2]	–	24	9,289	–	**9,313**
Other operating expense	–	–	–	(69)	**(69)**
Operating profit/(loss)	**11,537**	**(2,622)**	**23,443**	**(8,097)**	**24,261**
Net finance income/(costs)	–	317	–	(2,724)	(2,407)
Share of profit of joint ventures	–	7,026	1,423	–	8,449
Profit/(loss) before tax	**11,537**	**4,721**	**24,866**	**(10,821)**	**30,303**

(1) Gross profit					
Gross profit is analysed as follows:					
Gross profit excluding sales of development properties	–	4	16,402	–	16,406
Gross profit on sale of development properties	10,882	–	–	–	10,882
Net realisable value provision on development properties	(3,574)	–	–	–	(3,574)
Reversal of previous net realisable value provision on development properties	3,061	–	–	–	3,061
Release of net realisable value provision on disposal of development properties	1,168	–	–	–	1,168
	11,537	**4**	**16,402**	**–**	**27,943**
(2) Other gains					
Other gains are analysed as follows:					
(Decrease)/increase in fair value of investment properties	–	(311)	6,152	–	5,841
Decrease in the fair value of assets classified as held for sale	–	–	(229)	–	(229)
Profit on sale of investment properties	–	–	545	–	545
Profit on sale of assets classified as held for sale	–	335	2,821	–	3,156
	–	**24**	**9,289**	**–**	**9,313**

Segmental Balance Sheet

	Capital Growth £'000	Income Generation £'000	Central overheads £'000	Total £'000
Non-current assets				
Property, plant and equipment	–	–	1,050	**1,050**
Right of use assets	–	–	122	**122**
Other receivables	12,754	–	–	**12,754**
Investment properties	84,737	209,103	–	**293,840**
Investments in joint ventures	23,149	9,923	–	**33,072**
	120,640	**219,026**	**1,172**	**340,838**
Current assets				
Inventories	205,217	683	–	**205,900**
Trade and other receivables	39,668	4,825	1,962	**46,455**
Assets classified as held for sale	600	10,652	–	**11,252**
Cash	–	–	11,833	**11,833**
	245,485	**16,160**	**13,795**	**275,440**
Total assets	**366,125**	**235,186**	**14,967**	**616,278**

Financial liabilities and derivative financial instruments are not allocated to the reporting segments as they are managed and measured on a Group basis.

4. Operating profit

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Operating profit before tax is stated after charging/(crediting):			
Net movement in realisable value provision on development properties	17	**10,441**	(655)
Staff costs	5	**8,265**	7,523
Depreciation of property, plant and equipment and right of use assets	12, 13	**285**	139

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 2020 Number	Year ended 31 December 2019 Number	**Year ended 31 December 2020 Number**	Year ended 31 December 2019 Number
Administration	**75**	70	**3**	3

Remuneration details of these persons were as follows:

	Group		Company	
	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000	**Year ended 31 December 2020 £'000**	Year ended 31 December 2019 £'000
Wages and salaries	**7,052**	6,469	**1,309**	1,192
Social security costs	**702**	603	**135**	89
Other pension costs	**511**	451	**84**	55
	8,265	7,523	**1,528**	1,336

Key management remuneration relates to the members of the Investment Committee:

	Group	
	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Short term employee benefits	**2,749**	2,567
Post employment benefits	**166**	138
Share-based payments	**247**	121
	3,162	2,826

Detailed information relating to Directors' remuneration is disclosed in the Directors' remuneration report on pages 108 to 131 and forms part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2020: continued

6. Finance costs and finance income

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Total finance income	**377**	368
Finance costs		
– Bank interest	**(2,654)**	(2,026)
– Amortisation of RCF and other fees	**(622)**	(455)
– Other interest	**(197)**	(294)
Total finance costs	**(3,473)**	(2,775)
Net finance costs	**(3,096)**	(2,407)

During the year no interest has been capitalised in investment or development properties (2019: £nil).

7. Auditors' remuneration

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Fees payable to the Company auditors and its associates for the audit of the Company and the consolidated financial statements	**334**	125
Fees payable to the Company's auditors and its associates for other services:		
– The audit of the Company's subsidiaries pursuant to legislation	**100**	120
– Audit related assurance services	**-**	25
– The audit of the Group's joint ventures	**-**	10
	434	280

8. Tax

Analysis of tax credit/(charge) in the year	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Current tax		
Current year	**(449)**	(2,346)
Adjustment in respect of prior periods	**838**	549
Total current tax credit/(charge)	**389**	(1,797)
Deferred tax		
Current year	**(7,139)**	(4,331)
Adjustment in respect of prior periods	**136**	849
Difference between current tax rate and rate of deferred tax	**(914)**	456
Total deferred tax charge	**(7,917)**	(3,026)
Tax charge	**(7,528)**	(4,823)

Other comprehensive income items		
Deferred tax - current year	**115**	149
Total	**115**	149

8. Tax: continued

The tax charge for the year is higher (2019: lower) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Profit before tax	**33,324**	30,303
Profit before tax multiplied by rate of corporation tax in the UK of 19% (2019: 19%)	**(6,332)**	(5,758)
Effects of:		
Adjustments in respect of prior periods - deferred taxation	**136**	849
Adjustments in respect of prior periods - current taxation	**838**	549
Non-taxable income	**-**	6
Expenses not deducted for tax purposes	**(109)**	(526)
Revaluation losses	**(2,848)**	(4,287)
Share of profit of joint ventures	**1,644**	1,605
Land remediation relief	**-**	341
Difference between current tax rate and rate of deferred tax	**(914)**	456
Losses not previously recognised	**-**	1,921
Share options	**57**	21
Total tax charge	**(7,528)**	(4,823)

The revaluation losses in the tax reconciliation of £2.8m (2019: £4.3m) relate to movements in inherent chargeable gains and losses of investment property.

In 2019, the tax losses, not previously recognised of £1.9m, were recognised during the year, as a result of increased certainty regarding their availability to the Group.

The submission of the prior year tax computations and returns to reflect the land remediation relief and capital allowances claims following a review, as well as revised utilisation of losses, resulted in an adjustment in respect of prior years of a £0.8m current tax credit (2019: £0.5m) and a deferred tax credit of £0.1m (2019: £0.8m) compared to the original tax provision prepared for inclusion within the prior year financial statements.

At 31 December 2020, the Group had a current tax liability of £0.2m (2019: £2.7m)

Deferred tax

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated balance sheet:

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Deferred tax liabilities	**(23,159)**	(15,637)
Deferred tax assets	**7,392**	7,872
	(15,767)	(7,765)

The movement on the deferred tax account is as follows:

	Investment properties £'000	Tax losses £'000	Other temporary differences £'000	**Total £'000**
At 1 January 2019	(11,791)	5,957	870	**(4,964)**
Recognised in the consolidated income statement	(3,846)	231	589	**(3,026)**
Recognised in the consolidated statement of comprehensive income	–	–	149	**149**
Recognised in the consolidated statement of equity	–	–	76	**76**
At 31 December 2019 and 1 January 2020	(15,637)	6,188	1,684	**(7,765)**
Recognised in the consolidated income statement	(7,522)	(414)	19	**(7,917)**
Recognised in the consolidated statement of comprehensive income	–	–	115	**115**
Recognised in the consolidated statement of equity	–	–	(200)	**(200)**
At 31 December 2020	(23,159)	5,774	1,618	**(15,767)**

Notes to the financial statements

for the year ended 31 December 2020: continued

8. Tax: continued

There is deferred tax on UK corporation tax losses carried forward of £5.8m (2019: £6.2m); these may be carried forward indefinitely as there is no time limit in respect of using these deferred tax assets.

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2019: 17%).

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

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate was announced post year-end and therefore was not substantively enacted at the balance sheet date, as a result deferred tax balances as at 31 December 2020 continue to be measured at 19%. If all of the deferred tax was to reverse at the amended 25% rate the impact on the closing deferred tax position would be to increase the deferred tax liability by £5.0m.

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 £5.6m at 31 December 2020 have not been recognised owing to the uncertainty as to their recoverability. Deferred tax assets of £3.7m were not recognised at 31 December 2019.

The Company has recognised a deferred tax asset in 2020 of £2.1m (2019: £2.0m).

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 £2.9m (2019: £1.9m) and the total comprehensive expense for the financial year was £3.2m (2019: £2.3m).

10. Dividends

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Interim dividend of 0.334p per share for the six months ended 30 June 2020	**1,077**	-
Full year dividend of 0.633p per share for the year ended 31 December 2018	**-**	2,035
Interim dividend of 0.304p per share for the six months ended 30 June 2019	**-**	977
	1,077	3,012

The Board remained committed throughout 2020 to considering, at the time of the final 2020 dividend, an increased payment for 2020 to reflect the cancellation of the 2019 full-year dividend following the onset of COVID-19. Given the full-year 2020 performance, the Board has approved the recommendation of a 2020 final dividend of 1.466p. This comprises the cancelled 0.698p per share final 2019 dividend and a 0.768p per share final 2020 dividend. The 2020 final dividend excluding the cancelled final 2019 dividend and 2020 interim dividend together total of 1.102p per share, an underlying increase of 10%.

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 2020	Year ended 31 December 2019
Profit from continuing operations attributable to owners of the parent (£'000)	**25,796**	25,480
Weighted average number of shares used for basic earnings per share calculation	**322,104,415**	321,502,838
Basic earnings per share (pence)	**8.0**	7.9
Weighted average number of shares used for diluted earnings per share calculation	**323,840,504**	322,943,178
Diluted earnings per share (pence)	**8.0**	7.9

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

12. Property, plant and equipment

Group Cost or fair value	Land and Buildings £'000	Office equipment £'000	Total £'000
As at 1 January 2020	787	378	1,165
Additions	-	115	115
Increase in fair value	48	-	48
As at 31 December 2020	835	493	1,328
Depreciation			
As at 1 January 2020	-	(115)	(115)
Depreciation charge	-	(206)	(206)
As at 31 December 2020	-	(321)	(321)
Net book value			
Net book value at 31 December 2020	835	172	1,007
Net book value at 31 December 2019	787	263	1,050

At 31 December 2020, the Group had entered into no contractual commitments for the acquisitions of property, plant and equipment (2019: £nil).

13. Right of use assets

Group Right of use assets	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Buildings	**117**	53
Vehicles	**53**	69
	170	122
Lease liabilities		
Current	**77**	58
Non-current	**102**	70
	179	128

Additions to right of use assets during 2020 was £0.1m (2019: £0.1m)

Group Depreciation charge of right of use assets	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Buildings	**44**	12
Vehicles	**35**	31
	79	43

The total cash outflow for leases in 2020 was £0.1m (2019: £0.0m)

The Group leases a number of offices and vehicles. Rental contracts are typically made for fixed periods of three 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 payments 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.

Notes to the financial statements

for the year ended 31 December 2020: continued

14. Investment properties

Investment property at 31 December 2020 and 31 December 2019 has been measured at fair value. The Group holds five categories of investment property being agricultural land, natural resources, business space, 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	Business space £'000	Major developments £'000	Strategic land £'000	Total £'000
At 1 January 2019	**11,742**	**45,479**	**142,169**	**9,889**	**45,130**	**254,409**
Direct acquisitions	–	454	20,507	5,337	11,973	38,271
Subsequent expenditure	56	946	811	498	8,651	10,962
Disposals	–	(463)	(120)	–	(40)	(623)
(Decrease)/increase in fair value	(584)	3,306	3,430	(835)	524	5,841
Transfers between divisions	(514)	1,183	(6,000)	–	5,331	–
Re-categorisation as development properties	–	–	–	–	(1,052)	(1,052)
Net transfer to assets classified as held for sale	(2,581)	(10,718)	–	–	(669)	(13,968)
At 31 December 2019 and 1 January 2020	**8,119**	**40,187**	**160,797**	**14,889**	**69,848**	**293,840**
Direct acquisitions	-	1,825	38,168	27	18,300	58,320
Subsequent expenditure	46	157	864	2,446	5,796	9,309
Disposals	(9)	(1,012)	–	–	(6,552)	(7,573)
(Decrease)/increase in fair value	(339)	5,218	14,067	4,514	1,945	25,405
Transfers between divisions	400	(9,500)	4,150	2,850	2,100	–
Re-categorisation from development properties	–	–	1,025	2,824	–	3,849
Net transfer (to)/from assets classified as held for sale	(2,082)	(3,777)	(4,165)	–	(47)	(10,071)
At 31 December 2020	**6,135**	**33,098**	**214,906**	**27,550**	**91,390**	**373,079**

Included within investment properties (agricultural land) is a provision of £1.0m (2019: £1.2m) 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 £3.8m (2019: £nil) of development property was re-categorised as investment property to reflect a change in use. During the year no investment property was re-categorised to development properties (2019: £1.1m). 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.

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Market value as estimated by the external valuer	**380,659**	297,601
Capital incentives and rent free periods included within prepayments and accrued income	**(3,420)**	(1,229)
Contingent interest in adjoining land included within external valuations	**(2,407)**	–
Other adjustments	**(1,753)**	(2,532)
Fair value for financial reporting purposes	**373,079**	293,840

Valuation process

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

At each financial year end, management:

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

14. Investment properties: continued

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 2020 (2019: none).

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, this 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.

Business space

The business parks and individual business space 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. Properties that are built by Harworth new typically have lower yields. As assets are enhanced and improved, these are also 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 Business Space properties are provided in the following table:

	As at 31 December 2020	As at 31 December 2019
Market value (£'000)	**218,327**	162,026
Aggregate ERV (£'000)	**14,832**	10,807
Equivalent rental yield %	**7.1**	6.9

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 Business Space assets at 31 December 2020:

	2020		2019	
	Increase in Sensitivity Value £'000	**Decrease in Sensitivity Value £'000**	Increase in Sensitivity Value £'000	Decrease in Sensitivity Value £'000
Change in ERV by 5%	**10,742**	**(10,742)**	7,857	(7,857)
Change in equivalent rental yield of 5%	**(16,831)**	**18,726**	(9,416)	16,638

The property rental income earned by the Group from its occupied investment property, all of which is leased out under operating leases amounted to £14.8m (2019: £13.6m). Direct operating expenses arising on investment property generating rental income in the year amounted to £3.5m (2019: £5.1m).

The bank and other loans are secured by way of fixed equitable charges over investment and development properties.

Notes to the financial statements

for the year ended 31 December 2020: continued

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 the 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 and details of these are provided below:

	As at 31 December 2020				As at 31 December 2019			
	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	**27,550**	**£93-£122**	**£46-£58**	**15%-17.5%**	14,889	£100	£46	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 2020:

	2020		2019	
	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%	**6,100**	**(5,935)**	1,410	(1,345)
Change in build cost of 5%	**(3,910)**	**4,070**	(790)	850

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. The 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 is provided below.

	As at 31 December 2020			As at 31 December 2019		
	Agricultural Land	**Natural Resources**	**Strategic Land**	Agricultural Land	Natural Resources	Strategic Land
Market value £'000	**7,088**	**34,258**	**93,436**	9,323	41,515	69,848
Weighted Average Land value per acre £'000	**2**	**18**	**56**	3	25	55

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 2020:

	2020		2019	
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	**354**	**(354)**	466	(466)
Natural Resources	**1,713**	**(1,713)**	2,076	(2,076)
Strategic Land	**4,639**	**(4,639)**	3,493	(3,493)

15. Investments

Investment in subsidiaries

Company	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Cost and net book amount:		
At 1 January	**208,473**	208,400
Grant of equity instruments to employees of subsidiaries	**501**	73
At 31 December	**208,974**	208,473

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 Group holds investments in the following subsidiaries as at 31 December 2020:

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
Coalfield Estates Limited	Non-trading	Ordinary	100	Direct
Harworth Estates Property Group Limited	Trading	Ordinary	100	Direct
Harworth Guarantee Co. Limited	Dormant	Limited by guarantee	100	Direct
Harworth Secretariat Services Limited	Dormant	Ordinary	100	Direct
Harworth Trustees Limited	Dormant	Ordinary	100	Direct
Harworth Estates Group Limited	Non-trading	Ordinary	100	Indirect
Harworth No.3 Limited	Non-trading	Ordinary	100	Indirect
Harworth Services Limited	Non-trading	Ordinary	100	Indirect
Harworth Regeneration Limited	Non-trading	Ordinary	100	Indirect
Harworth Estates Limited	Trading	Ordinary	100	Indirect
Logistics North MC Limited	Trading	Ordinary	10.86	Indirect
POW Management Company Limited	Trading	Limited by guarantee	100	Indirect
Rossington Community Management Company Limited	Trading	Limited by guarantee	100	Indirect
Harworth Estates Investments Limited	Trading	Ordinary	100	Indirect
EOS Inc. Limited	Trading	Ordinary	100	Indirect
Harworth Estates Curtilage Limited	Trading	Ordinary	100	Indirect
Harworth Estates Overage Limited	Trading	Ordinary	100	Indirect
Harworth Estates No 2 Limited	Non-trading	Ordinary	100	Indirect
Harworth Estates (Agricultural Land) Limited	Trading	Ordinary	100	Indirect
Harworth TRR Limited	Trading	Ordinary	100	Indirect
Harworth Estates (Waverley Prince) Limited	Trading	Ordinary	100	Indirect
Harworth Estates Warwickshire Limited	Trading	Ordinary	100	Indirect
Harworth Estates Mines Property Limited	Trading	Ordinary	100	Indirect
Harworth Surface Water Management (North West) Limited	Trading	Ordinary	100	Indirect
Cadley Park Management Company Limited	Trading	Ordinary	100	Indirect
Cutacre Country Park Management Company Limited	Trading	Ordinary	100	Indirect
Riverdale Park Management Company Limited	Trading	Limited by guarantee	100	Indirect
Flass Lane 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	Non-trading	Limited by guarantee	100	Indirect
Thoresby Vale Management Company Limited	Trading	Ordinary	100	Indirect
Mapplewell Management Company Limited	Trading	Limited by guarantee	100	Indirect
Waverley Community Management Company Limited	Trading	Limited by guarantee	100	Indirect
Waverley Square Limited	Non-trading	Ordinary	100	Indirect
Konect Management Company Limited	Non-trading	Ordinary	7.14	Indirect
Ansty Development Vehicle LLP	Trading	Partnership	100	Indirect

All of the above companies are incorporated in England and Wales and unless stated otherwise, have a registered address of Advantage House, Poplar Way, Rotherham, South Yorkshire, S60 5TR.

Notes to the financial statements

for the year ended 31 December 2020: continued

15. Investments: continued

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

South East Coalville Management Company Limited was incorporated during the year, on 24 January 2020.

Konect Management Company Limited was incorporated during the year, on 22 July 2020.

The Group took full ownership of Waverley Square Limited, which was a joint venture in the prior year, on 26 June 2020.

The Group took full ownership of Ansty Development Vehicle LLP, which was a joint venture in the prior year, on 12 November 2020.

Investment in joint ventures

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
At 1 January	**33,072**	25,830
Investment in joint ventures	**289**	2,592
Distributions from joint ventures	**(8,930)**	(3,799)
De-recognition on acquisition(1)	**(7,770)**	-
Share of profits of joint ventures	**8,655**	8,449
At 31 December	**25,316**	33,072

(1) On 12 November 2020, the Group acquired the remaining interest of Ansty Development Vehicle LLP for £7.8m. The net assets and performance have been fully consolidated from the date of acquisition as set out in note 16.

The Group holds investments in the following joint ventures as at 31 December 2020:

Company name	**Activity**	**Description of shares held**	**Proportion of nominal value of issued share capital held by the Company %**
Bates Regeneration Limited(1)	Non-trading	Ordinary	50
Gateway 45 No.1 Limited	Dormant	Ordinary	50
The Aire Valley Land LLP	Trading	Partnership	50
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

(1) Registered office at Inkerman House, St. Johns Road, Meadowfield, Durham, County Durham, DH7 8XL

All of the above companies are incorporated in England and Wales and unless stated otherwise, 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.

Gateway 45 No.1 Limited was dissolved post year end, on 12 January 2021.

The Group took full ownership of Waverley Square Limited, which was a joint venture in the prior year, on 26 June 2020.

The Group took full ownership of Ansty Development Vehicle LLP, which was a joint venture in the prior year, on 12 November 2020.

15. Investments: continued

Summarised financial information in respect of each of the Group's material joint ventures is set out below:

	The Aire Valley Land LLP		Multiply Logistics North LP	
	As at 31 December 2020 £'000	As at 31 December 2019 £'000	**As at 31 December 2020 £'000**	As at 31 December 2019 £'000
Investment property	13,000	10,009	11,662	11,028
Current assets	272	11,511	270	304
Total assets	13,272	21,520	11,932	11,332
Current liabilities	(273)	(1,372)	(50)	(153)
Non-current liabilities	–	–	–	–
Net investment	**12,999**	**20,148**	**11,882**	**11,179**

	The Aire Valley Land LLP		Multiply Logistics North LP	
	As at 31 December 2020 £'000	As at 31 December 2019 £'000	**As at 31 December 2020 £'000**	As at 31 December 2019 £'000
Revenue	225	–	407	251
Cost of sales	(40)	(39)	(89)	(87)
Gross profit/(loss)	185	(39)	318	164
Administrative expenses	(5)	(15)	(33)	(24)
Other gains	1,601	8,416	417	578
Finance costs	–	(23)	–	–
Share of profits	**1,781**	**8,339**	**702**	**718**

Ansty Development Vehicle LLP became a fully controlled subsidiary of the Group on 12 November 2020. Prior to this acquisition, a share of profits of the joint venture of £6.3m was recognised.

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 2020 £'000	As at 31 December 2019 £'000
Investment property	**376**	1,875
Current assets	**64**	122
Total assets	**440**	1,997
Current liabilities	**(5)**	(252)
Net investment	**435**	1,745
Share of losses	**(173)**	(608)

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. Group of assets acquisition

Summary of acquisition

On 12 November 2020, Harworth Group acquired the remaining 50% interest in Ansty Development Vehicle LLP ("ADV LLP") for total consideration of £7.8m. The Group had previously acquired a 50% interest in ADV LLP on 28 October 2019, when the Group entered into a joint venture agreement with Hallam Land Management Limited to establish ADV LLP. As at 31 December 2019 and 30 June 2020, the Group's interest in ADV LLP was recognised as an investment in joint venture asset following the equity method of accounting under IAS 28.

The acquisition was not treated as an acquisition of a business as ADV LLP held only assets and liabilities and there were no activities or operational processes acquired as part of the acquisition of ADV LLP. Accordingly, no goodwill or deferred taxation arises. The identifiable assets and liabilities acquired were recorded at acquisition cost which were equal to their fair values on the acquisition date.

	£'000
Investment properties	15,861
Current assets	407
Current liabilities	(604)
Net Assets acquired	**15,664**

The fair value of investment property was determined in line with the Group's policy and processes for the valuation of investment property.

As an acquisition of assets achieved in stages, the total consideration includes the derecognition of the Group's previous interest in ADV LLP.

	£'000
Carrying value of previously held interest in ADV LLP at acquisition date	7,770
Initial cash consideration and fees	4,092
Deferred Consideration	3,802
Total consideration of acquisition achieved in stages	**15,664**

Fees of £46,000 were incurred as part of the acquisition. Due to minimal activity within Ansty Development Vehicle LLP during the period from acquisition on 12 November 2020 to 31 December 2020, the impact on the Group's consolidated results was negligible.

There were no group of asset acquisitions in the year ending 31 December 2019.

Acquisition related cash outflows

	Year ended 31 December 2020 £'000
Cash consideration paid	4,046
Cash outflow - acquisition related costs	46
Cash outflow of acquisitions	**4,092**

17. Inventories

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Development properties	177,712	202,092
Planning promotion agreements	2,961	2,051
Option agreements	1,344	1,074
Finished goods	649	683
Total inventories	**182,666**	205,900

The total cost of inventory recognised as an expense within cost of sales in the year is £54.7m (2019: £50.3m) and comprised of: £43.9m (2019: £50.1m) relating to the sale of development properties; a charge of £10.5m (2019: £0.6m credit) net realisable value provision against development properties; a charge of £0.3m (2019: £1.1m) in relation to planning promotion agreements; and a charge of £0.0m (2019: £0.3m credit) relating to finished goods stocks. Finished goods are stated after a provision of £0.2m (2019: £0.3m).

17. Inventories: continued

The movement in the development properties is as follows:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
At 1 January	**202,092**	204,157
Acquisitions	**–**	3,158
Subsequent expenditure	**27,860**	23,235
Disposals	**(37,950)**	(30,165)
Movement in net realisable value provision	**(10,441)**	655
Re-categorisation (to)/from investment properties	**(3,849)**	1,052
At 31 December	**177,712**	202,092

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

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
At 1 January	**6,899**	7,554
Net realisable value provision for the year	**16,208**	3,574
Released on disposals	**(1,359)**	(1,168)
Reversal of previous net realisable value provision	**(4,408)**	(3,061)
At 31 December	**17,340**	6,899

The bank and other loans are secured by fixed equitable charges over development and investment properties.

18. Trade and other receivables

	Group		Company	
Current	**As at 31 December 2020 £'000**	As at 31 December 2019 £'000	**As at 31 December 2020 £'000**	As at 31 December 2019 £'000
Trade receivables	**35,742**	29,008	**–**	–
Less: provision for impairment of trade receivables	**(308)**	(109)	**–**	–
Net trade receivables	**35,434**	28,899	–	–
Other receivables	**18,785**	14,682	**59**	–
Prepayments	**957**	1,139	**46**	191
Accrued income	**1,265**	1,735	**-**	-
Amounts owed by subsidiary undertakings (note 31)	–	–	**29,390**	28,976
	56,441	46,455	**29,495**	29,167

Non-current				
Trade receivables	**–**	12,754	–	–

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 current trade receivables are £33.4m (2019: £27.9m) of deferred consideration from the sale of investment and development property.

Notes to the financial statements

for the year ended 31 December 2020: continued

18. Trade and other receivables: continued

In 2019, the non-current trade receivable of £12.8m related to deferred consideration on the sale of development properties due in more than one year.

Included within other receivables are £3.5m (2019: £5.4m) of cash held in accounts over which third party infrastructure loan providers have a charge. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables as disclosed in note 24. 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 LIBOR +2.0%.

Group

Movements on provisions for impairment of trade receivables are as follows:

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
At the beginning of the year	(109)	(142)
Released/(provided) for in the year	(199)	33
At the end of the year	(308)	(109)

Trade receivables can be analysed as follows:

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Amounts receivable not past due	33,666	41,453
Amounts receivable past due but not impaired	1,768	200
Amounts receivable impaired (gross)	308	109
Less impairment	(308)	(109)
	35,434	41,653

Ageing of past due but not impaired trade receivables

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
31 – 60 days	1,389	58
61 – 90 days	7	84
91 – 120 days	372	15
120+ days	-	43
	1,768	200

Ageing of impaired trade receivables:

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
31 – 60 days	-	-
61 – 90 days	-	-
91 – 120 days	308	109
	308	109

19. Assets Held For Sale

Assets classified as held for sale relate to investment properties expected to be sold within twelve months.

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
At 1 January	**11,252**	10,956
Net transfer from investment properties	**10,071**	13,968
Subsequent expenditure	**24**	341
Decrease in fair value	**(295)**	(229)
Disposals	**(13,458)**	(13,784)
At 31 December	**7,594**	11,252

20. Cash

	Group		**Company**	
	As at 31 December 2020 £'000	As at 31 December 2019 £'000	**As at 31 December 2020 £'000**	As at 31 December 2019 £'000
Cash	**12,710**	11,833	**1,652**	1,506

21. Borrowings

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Current:		
Secured – infrastructure loans	**-**	(2,842)
	-	(2,842)
Non-current:		
Secured – bank loans	**(79,740)**	(75,785)
Secured – infrastructure loans	**(4,142)**	(4,117)
	(83,882)	(79,902)
Total borrowings	**(83,882)**	(82,744)

Loans are stated after deduction of unamortised fees of £0.4m (2019: £0.3m).

		Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Infrastructure loans			
Sheffield City Region JESSICA Fund	Advanced Manufacturing Park, Waverley	**-**	(2,842)
Homes and Communities Agency	Simpson Park	**(4,142)**	(4,117)
Total infrastructure loans		**(4,142)**	**(6,959)**
Bank loan		**(79,740)**	**(75,785)**
Total borrowings		**(83,882)**	**(82,744)**

The bank borrowings are part of a £130m (2019: £100m) revolving credit facility ("RCF") provided by the Royal Bank of Scotland and Santander. The RCF is repayable on 13 February 2023 (five year term) on a non-amortising basis and is subject to financial and other covenants. In May 2020, the Royal Bank of Scotland and Santander agreed to increase the limit of the RCF by £30m to £130m. The RCF limit decreases to £100m in June 2022. The bank borrowings are secured by fixed equitable charges over development and investment properties. Proceeds from and repayments of bank loans are reflected gross in the cashflow and reflect timing of utilisation of the RCF facility.

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 are repayable on agreed dates or when disposals are made from the sites.

Notes to the financial statements

for the year ended 31 December 2020: continued

22. Trade and other payables

Current liabilities

	Group		Company	
	As at 31 December 2020 £'000	As at 31 December 2019 £'000	**As at 31 December 2020 £'000**	As at 31 December 2019 £'000
Trade payables	**1,658**	11,670	**22**	222
Amounts owed to subsidiary undertakings	**-**	-	**13,926**	9,272
Taxation and social security	**4,968**	267	**78**	75
Other creditors	**9,528**	3,670	**16**	4
Accruals	**43,308**	35,258	**758**	582
Deferred income	**7,024**	5,743	**-**	-
	66,486	56,608	**14,800**	10,155

	Group		Company	
	As at 31 December 2020 £'000	As at 31 December 2019 £'000	**As at 31 December 2020 £'000**	As at 31 December 2019 £'000
Amounts in accruals relating to parcels of land that have been sold but where infrastructure costs are yet to be incurred	**33,361**	28,286	**–**	–

Non-current liabilities

	Group		Company	
	As at 31 December 2020 £'000	As at 31 December 2019 £'000	**As at 31 December 2020 £'000**	As at 31 December 2019 £'000
Other creditors	**720**	1,200	**–**	–
Deferred income	**1,234**	–	**–**	–
	1,954	1,200	**–**	–

23. Financial instruments and derivatives

On 20 July 2018, Harworth cancelled its £30m fixed rate interest swap which was due to expire on 30 June 2020 (incurring total break costs of £18.5k) and in its place entered into a four-year, £45m fixed rate interest swap at an all-in cost of 1.235% (including fees) on top of the existing 2.25% margin paid under the RCF. The interest rate swap is hedge accounted with any unrealised movements going through reserves.

The fair value of the interest rate swap at 31 December 2020 was a liability of £0.8m (2019: £0.6m).

During the year the following (loss)/gain was recognised in the other comprehensive income statement in relation to the interest rate swap:

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
(Loss)/gain on interest rate swap - cash flow hedge	**(267)**	(449)

The Group's principal financial instruments include trade and other receivables, cash, interest bearing borrowings and trade and other payables.

23. Financial instruments and derivatives: continued

Other financial assets and liabilities

Group	As at 31 December 2020 Book value £'000	As at 31 December 2020 Fair value £'000	As at 31 December 2019 Book value £'000	As at 31 December 2019 Fair value £'000
Assets				
Cash	**12,710**	**12,710**	11,833	11,833
Trade and other receivables	**54,219**	**54,219**	54,451	54,451
Liabilities				
Bank and other borrowings	**83,882**	**83,882**	82,744	82,744
Trade and other payables	**63,472**	**63,472**	57,541	57,541

Company	31 December 2020 Book value £'000	31 December 2020 Fair value £'000	31 December 2019 Book value £'000	31 December 2019 Fair value £'000
Assets				
Cash	**1,652**	**1,652**	1,506	1,506
Trade and other receivables	**29,392**	**29,392**	28,976	28,976
Liabilities				
Trade and other payables	**14,722**	**14,722**	10,080	10,080

In accordance with IFRS 9, the Group classifies the assets and liabilities in the analysis above as 'financial assets at amortised cost' 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.

24. Financial risk management

The Group's overall risk management programme focuses on credit, interest rate 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, committed cash and cash equivalents and deposits with banks and financial institutions. The Group and Company'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. These are charged at LIBOR plus 2.25%. From May 2020 the rate increased from 2.1% to 2.25%, following the increase in the facility limit. On 20 July 2018 the Group entered into a four-year swap with Santander to fix £45m of borrowings at an all in rate of 1.235% on top of the existing 2.25% margin paid under the RCF, including fees. The swap is hedge accounted with any unrealised movements going through reserves.

The Group also has one (2019: two) infrastructure loan with an all in funding rate of 4.0% (2019: between 3.2% and 4.0%).

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 both short and long-term cash flow forecasts.

The Group had net debt at 31 December 2020 of £71.2m (2019: £70.9m). The Group generated cash from operating activities and investing activities for the year of £1.2m (2019: cash utilised of £3.0m).

Notes to the financial statements

for the year ended 31 December 2020: continued

24. Financial risk management: continued

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 2020				
Trade and other payables	66,486	872	457	625
Lease liability	77	50	52	-
Bank and other borrowings including interest payable	-	4,142	79,740	-
At 31 December 2019				
Trade and other payables	56,608	1,100	100	-
Lease liability	58	51	19	-
Bank and other borrowings including interest payable	2,842	-	79,902	-

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 its 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 20.

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.

The Group monitors capital on the basis of net debt to equity. Net debt is total debt less cash and equalled £71.2m at 31 December 2020 (2019: £70.9m).

The Group has in place a £130.0m (2019: £100.0m) RCF from the Royal Bank of Scotland and Santander as discussed in note 21.

The facility is subject to covenants over loan to market value of investment properties and development properties, gearing, and minimum consolidated net worth.

The Group comfortably operated within these requirements throughout the year.

25. 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 £0.5m (2019: £0.4m). 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 has 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 amounts in respect of retirement benefit obligations are:

	Group		Company	
	As at 31 December 2020 £'000	As at 31 December 2019 £'000	**As at 31 December 2020 £'000**	As at 31 December 2019 £'000
Relating to continuing activities				
Blenkinsopp	**968**	771	**968**	771

Contributions to the Blenkinsopp scheme of £0.2m were made by the Group during 2020 (2019: £0.2m). It is expected that contributions of a similar amount will be paid in 2021. At December 2020, no contributions remained unpaid (2019: £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, the rates of increase in pensions and life expectancy. There are no active members of this scheme. The main assumptions underlying the valuation of the Blenkinsopp scheme were:

	As at 31 December 2020	As at 31 December 2019
Discount rate	**1.30% p.a.**	2.05% p.a.
Rate of pension increases	**2.35% p.a.**	2.20% p.a.
Rate of price inflation (RPI)	**2.95% p.a.**	2.95% p.a.
Rate of price inflation (CPI)	**2.35% p.a.**	2.15% 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

	Year ended 31 December 2020	Year ended 31 December 2019
Life expectancy at age 65 for current pensioners (years)		
Male	**19.3**	19.2
Female	**22.6**	22.4
Life expectancy at age 65 for future pensioners currently aged 45 (years)		
Male	**20.7**	20.6
Female	**24.1**	23.9

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 CPI).

Defined benefit obligations

The amounts recognised in the Balance Sheet:

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Fair value of plan assets	**2,537**	2,313	2,249	2,228	2,117
Present value of funding obligations	**(3,505)**	(3,084)	(2,711)	(2,791)	(2,719)
Net liability recognised in the Balance Sheet	**(968)**	(771)	(462)	(563)	(602)

The Blenkinsopp scheme does not own any shares in the Company.

25. Retirement benefit obligations: continued

Analysis of the amounts recognised in the Income Statement	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Expenses	(49)	(57)
Interest cost	(14)	(11)
	(63)	(68)

A further cost of £0.3m (2019: £0.4m) 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	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Fair value of plan assets at the start of the year	2,313	2,249
Interest income	48	62
Actual return on scheme assets excluding interest income	104	79
Employer contributions	205	189
Expenses	(49)	(57)
Benefits paid	(84)	(209)
Fair value of plan assets at the end of the year	2,537	2,313

Analysis of plan assets (which are all quoted investments)	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Gilts	1,626	1,141
Diversified and multi-asset growth funds	268	177
Sterling liquidity fund	-	382
Other	643	613
Total	2,537	2,313

Change in defined benefit obligations	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Present value of defined benefit obligations at the start of the year	(3,084)	(2,711)
Interest cost	(62)	(73)
Remeasurements:		
– Gain / (loss) arising from changes in demographic assumptions	(14)	57
– Gain / (loss) arising from changes in experience	68	(248)
– Gain/(loss) arising from changes in financial assumptions	(497)	(318)
Benefits paid	84	209
Present value of defined benefit obligation at the end of the year	(3,505)	(3,084)

Analysis of the movement of the Balance Sheet liability	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
At the start of the year	(771)	(462)
Total amounts recognised in the Income Statement	(63)	(68)
Employer contributions	205	189
Net actuarial loss recognised in the year	(339)	(430)
At the end of the year	(968)	(771)

25. Retirement benefit obligations: continued

The maturity of the defined benefit obligation is c.18 years (2019: c.18 years).

Cumulative actuarial gains and losses recognised in equity	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
At the start of the year	(610)	(180)
Net actuarial loss in the year	(339)	(430)
At the end of the year	(949)	(610)

Experience gains and losses	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Actual return on scheme assets excluding interest income	104	79
Remeasurements:		
– Loss arising from changes in experience	68	(248)
– Loss arising from changes in financial assumptions	(498)	(318)
– Loss arising from changes in demographic assumptions	(13)	57
Net actuarial loss	(339)	(430)

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. The sensitivity of the defined benefit obligations to changes in the weighted principal assumptions is:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Change in discount rate by 0.1%	62	49
Change in price inflation (and associated assumptions) by 0.1%	54	44
Increase in life expectancy by 1 year	163	128

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. No 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 or cash/liquidity funds.
- 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 their employment. An increase in the life expectancy of the participants will increase the Scheme's liability.

26. 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. Details of the performance conditions are disclosed in the Directors' Remuneration Report.
- 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.
- 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.

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	**2020**	2019	**2020**	2019
Outstanding at beginning of the year	**169,799**	362,327	**£0.00**	£0.00
Granted during the year	**–**	–	**n/a**	n/a
Forfeited during the year	**(17,999)**	(15,484)	**£0.00**	£0.00
Exercised during the year	**–**	(177,044)	**n/a**	£1.30
Outstanding at end of the year	**151,800**	169,799	**£0.00**	£0.00
Exercisable at end of the year	**–**	–	**n/a**	n/a
Weighted average remaining contractual life	**7.27 years**	8.26 years		

	Number of shares		Weighted average exercise price	
LTIP	**2020**	2019	**2020**	2019
Outstanding at beginning of the year	**972,507**	2,066,015	**£0.00**	£0.00
Granted during the year	**–**	–	**n/a**	n/a
Forfeited during the year	**(250,355)**	(424,940)	**£0.00**	£0.00
Exercised during the year	**(266,050)**	(668,568)	**£0.00**	£1.29
Outstanding at end of the year	**456,101**	972,507	**£0.00**	£0.00
Exercisable at end of the year	**–**	–	**n/a**	n/a
Weighted average remaining contractual life	**7.27 years**	7.73 years		

	Number of shares		Weighted average exercise price	
RSP	**2020**	2019	**2020**	2019
Outstanding at beginning of the year	**379,230**	–	**£0.00**	n/a
Granted during the year	**593,801**	379,230	**£0.00**	£0.00
Forfeited during the year	**(51,262)**	–	**£0.00**	n/a
Exercised during the year	**–**	–	**n/a**	n/a
Outstanding at end of the year	**921,769**	379,230	**£0.00**	£0.00
Exercisable at end of the year	**–**	–	**n/a**	n/a
Weighted average remaining contractual life	**9.19 years**	9.71 years		

26. Share-based payments: continued

SAYE	Number of shares 2020	Number of shares 2019	Weighted average exercise price 2020	Weighted average exercise price 2019
Outstanding at beginning of the year	**571,976**	452,708	**£0.88**	£0.82
Granted during the year	**787,692**	163,931	**£0.74**	£1.04
Forfeited during the year	**(149,088)**	(44,663)	**£0.94**	£0.81
Exercised during the year	**(345,525)**	–	**£0.80**	n/a
Outstanding at end of the year	**865,055**	571,976	**£0.78**	£0.88
Exercisable at end of the year	**1,339**	–	**£0.81**	n/a
Weighted average remaining contractual life	**2.76 years**	1.71 years		

SIP	Number of shares 2020	Number of shares 2019	Weighted average exercise price 2020	Weighted average exercise price 2019
Outstanding at beginning of the year	**54,320**	–	**£0.00**	n/a
Granted during the year	**62,465**	54,320	**£0.00**	£0.00
Forfeited during the year	**(9,673)**	–	**£0.00**	n/a
Exercised during the year	**(5,802)**	–	**£0.00**	n/a
Outstanding at end of the year	**101,310**	54,320	**£0.00**	£0.00

The fair values of the share options granted under the RSP and SAYE during the year were determined using the Black-Scholes valuation methodology.
The significant inputs to the valuation models were as follows:

	RSP	SAYE
Share price at date of grant	£1.07	£1.07
Exercise price	£0.00	£0.74
Dividend yield	0.28%	0.28%
Expected volatility	30%	25%
Risk free interest rate	n/a	0%
Expected term	4.72 years	3.38 years
Weighted average fair value	£0.96	£0.36

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 2017 LTIP Scheme were exercised in the year with a weighted average share price on exercise of £0.92.

Awards under the 2017 SAYE Scheme were exercised in the year with a weighted average share price on exercise of £0.99.

The total Income Statement charge for the year relating to employee share-based payment plans was £0.6m, all of which related to equity-settled share-based payment transactions.

Notes to the financial statements

for the year ended 31 December 2020: continued

27. Share capital

Issued, authorised and fully paid

Group and Company	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
At 1 January	**32,191**	32,150
Shares issued	**62**	41
At 31 December	**32,253**	32,191

Issued, authorised and fully paid – number of shares

Group and Company	Year ended 31 December 2020	Year ended 31 December 2019
At 1 January	**321,909,382**	321,496,760
Shares issued	**621,425**	412,622
At 31 December	**322,530,807**	321,909,382
Own shares held	**(120,487)**	(132,015)
At 31 December	**322,410,320**	321,777,367

Ordinary shares have a nominal value of 10 pence each.

The own shares held represent the number of shares held by the Harworth Group plc Employee Benefit Trust to satisfy Long Term Incentive Plan awards for Executive Directors and Senior Executives and Share Investment Plan awards for employees.

28. Share premium account

Group and Company	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
At 1 January	**24,359**	24,351
Premium on shares issued	**208**	8
At 31 December	**24,567**	24,359

29. Capital and other financial commitments

At 31 December 2020 the Group had capital commitments due under construction contracts of £nil (2019: £0.4m). 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.

30. Operating leases

Future minimum lease receipts

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

	Group		Company	
	As at 31 December 2020 £'000	As at 31 December 2019 £'000	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Less than one year	**15,991**	12,820	**-**	-
Between one and two years	**13,353**	10,906	**-**	-
Between two and three years	**12,003**	9,130	**-**	-
Between three and four years	**11,150**	7,249	**-**	-
Between four and five years	**10,469**	6,357	**-**	-
More than five years	**118,267**	96,677	**-**	-
	181,233	143,139	**–**	–

As set out in note 14 property rental income earned during the year was £14.8m (2019: £13.6m).

31. Related party transactions

GROUP

The Group carried out the following transactions with related parties. The following entities are related parties as a consequence of shareholdings, joint venture arrangements and partners of such and/or common Directorships. All related party transactions are clearly justified and beneficial to the Group, are undertaken on an arm's-length basis on fully commercial terms and in the normal course of business.

PEEL GROUP	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Revenue		
Profit on sale from of overages	987	–
Cost of sales/administrative expenses		
Recharges in respect of fees for Steven Underwood, a non-executive director	–	(45)

MULTIPLY LOGISTICS NORTH HOLDINGS LIMITED & MULTIPLY LOGISTICS NORTH LP	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Revenue		
Sale of land	–	2,175
Recharges of costs	–	2
Asset management fee	107	121
Water charges	100	92
Purchases		
Diversion of surface water drain	97	–
Receivables		
Trade receivables	153	10
Other receivables	285	-
Partner loan made during the year	–	407

BANKS GROUP	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Revenue		
Annual option sums	5	15
Provision of certificate regarding title	1	–
Acquisition of land		
Acquisition of land at Cinderhill	–	2,412
Payables		
Deferred payment in respect of the acquisition of land at Moss Nook	(1,000)	(1,200)
Trade payables	(5)	-

POLYPIPE	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Revenue		
Rent	5	-

WAVERLEY SQUARE LIMITED	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Shareholder loan made during the year*	169	25

* Waverley Square Limited became a fully owned subsidiary of the Group on 26 June 2020.

Notes to the financial statements

for the year ended 31 December 2020: continued

31. Related party transactions: continued

THE AIRE VALLEY LAND LLP	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Partner loan made during the year	–	250
Partner loan repayment	(7,951)	(3,000)
Profit share received during the year	(979)	–
Receivable	2	–

BATES REGENERATION LIMITED	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Shareholder loan repayment	–	(799)

ANSTY DEVELOPMENT VEHICLE LLP	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Partner loan made during the year*	–	1,496

* Ansty Development Vehicle LLP became a fully owned subsidiary of the Group on 12 November 2020.

CRIMEA LAND MANSFIELD LLP	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Partner loan made during the year	-	495
Receivable	2	-

NORTHERN GATEWAY DEVELOPMENT VEHICLE LLP	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Partner loan made during the year	–	22
Receivable	528	–

HALLAM LAND MANAGEMENT LIMITED	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Purchases		
Purchase of share of interest of Ansty Development Vehicle LLP	7,848	–
Payables		
Deferred payment in respect of the acquisition of Ansty Development Vehicle LLP	(3,803)	–

31. 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 2020 are set out below:

	As at 31 December 2020		As at 31 December 2019	
	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	526	20,970	586	20,611
Harworth Estates Limited	(51)	(2,881)	(41)	(1,659)
Harworth Estates (Agricultural Land) Limited	(39)	(1,551)	(12)	(1,512)
Harworth Estates Investments Limited	(92)	(4,605)	(53)	(2,313)
Harworth Guarantee Co. Limited	–	(49)	–	(49)
Harworth Estates Mines Property Limited	–	6,250	–	6,250
Harworth Estates Curtilage Limited	54	2,170	59	2,115
Harworth Estates Waverley Prince Limited	(7)	(274)	(7)	(261)
Harworth Estates Property Group Limited	(90)	(4,035)	(83)	(3,399)
Harworth Surface Water Management (North West) Limited	(2)	(502)	–	(50)
Coalfield Estates Limited	–	(29)	–	(29)
	299	15,464	449	19,704

Dividends received

During the year the Company received dividends of £nil (2019: £nil) from subsidiary undertakings.

32. 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 abbreviations

2018 Code	2018 UK Corporate Governance Code
AGM	Annual General Meeting
AMP	Advanced Manufacturing Park
AMRC	Advanced Manufacturing Research Centre, University of Sheffield
APM	Alternative Performance Measure
AR	Augmented Reality
ATR	Absolute Total Return
BCP	Business Continuity Plan
BREEAM	Building Research Establishment Environmental Assessment Method
CDM	Construction Design and Management
CEO	Chief Executive
CFO	Chief Financial Officer
CO_2e	Carbon Dioxide equivalent
CPD	Continuous Professional Development
DEFRA	Department for Environment, Food and Rural Affairs
DUKES	Digest of UK Energy Statistics
EA	Environment Agency
EAP	Employee Assistance Programme
EES	Estates, Environment and Safety
EPRA	European Public Real Estate Association
ERV	Estimated Rental Value
ESG	Environmental Social, and Governance
EV	Electric Vehicle
EY	Ernst & Young LLP
FTE	Full-time equivalent
GFT	Group Financial Target
GRR	Group Risk Register
GVA	Gross Value Added
GWh	Gigawatt hours
IR	Investor Relations
KPI	Key Performance Indicator
KWh	Kilowatt hours
LEP	Local Enterprise Partnership
LPA	Local Planning Authority
LTIP	Long-term Incentive Plan
LTV	Loan to portfolio value
MHFA	Mental Health First Aider
NAV	Net Asset Value
NCC	Nottinghamshire County Council
NDV	Net Disposal Value
NIY	Net Initial Yield
NWT	Nottinghamshire Wildlife Trust
PEVG	Profit Excluding Value Gains
PFA	Pulverised Fuel Ash
PPA	Planning Promotion Agreement
PSG	People Steering Group
PV	Photo-Voltaic
PwC	PricewaterhouseCoopers LLP
RCF	Revolving Credit Facility
RICS	Royal Institution of Chartered Surveyors
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
RCF	Revolving Credit Facility
RSP	Restricted Share Plan
SAYE	Save As You Earn
SIP	Share Incentive Plan
SMEs	Small and Medium-sized Enterprises
SSSI	Site of Special Scientific Interest
STEAM	Science, Technology, Engineering, Arts and Maths
STOR	Short-term Operating Reserve
TSR	Total Shareholder Return
UKAEA	UK Atomic Energy Authority
VR	Virtual Reality
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
Steven Underwood
Martyn Bowes

Company Secretary and Registered Office
Christopher Birch
Advantage House
Poplar Way
Rotherham, S60 5TR

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

Solicitors
DLA Piper UK LLP
1 St Paul's Place
Sheffield, S1 2JX

Brokers
Peel Hunt LLP
7th Floor
100 Liverpool Street
London, EC2M 2AT

Liberum Group Limited
Ropemaker Place
25 Ropemaker Street
London, EC2Y 9LY

Registrars
Equiniti Limited
Aspect House
Spencer Road, Lancing
West Sussex, BN99 6DA

Principal lenders
National Westminster Bank PLC
3rd Floor
2 Whitehall Quay
Leeds, LS1 4HR

Santander UK plc
44 Merrion Street
Leeds, LS2 8JQ

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 Mercure Sheffield St. Paul's Hotel and Spa, City Suite, 119 Norfolk Street, Sheffield, S1 2JE.	25 May 2021
Proposed date for Interim Results Announcement 2021 Interim Results to be published at www.harworthgroup.com/investors	14 September 2021

Registrars

All administrative enquiries relating to shareholdings should, in the first instance, be directed to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA (telephone: 0371 384 2301) and should 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.

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Harworth Group plc

Annual Report and Financial Statements 2020