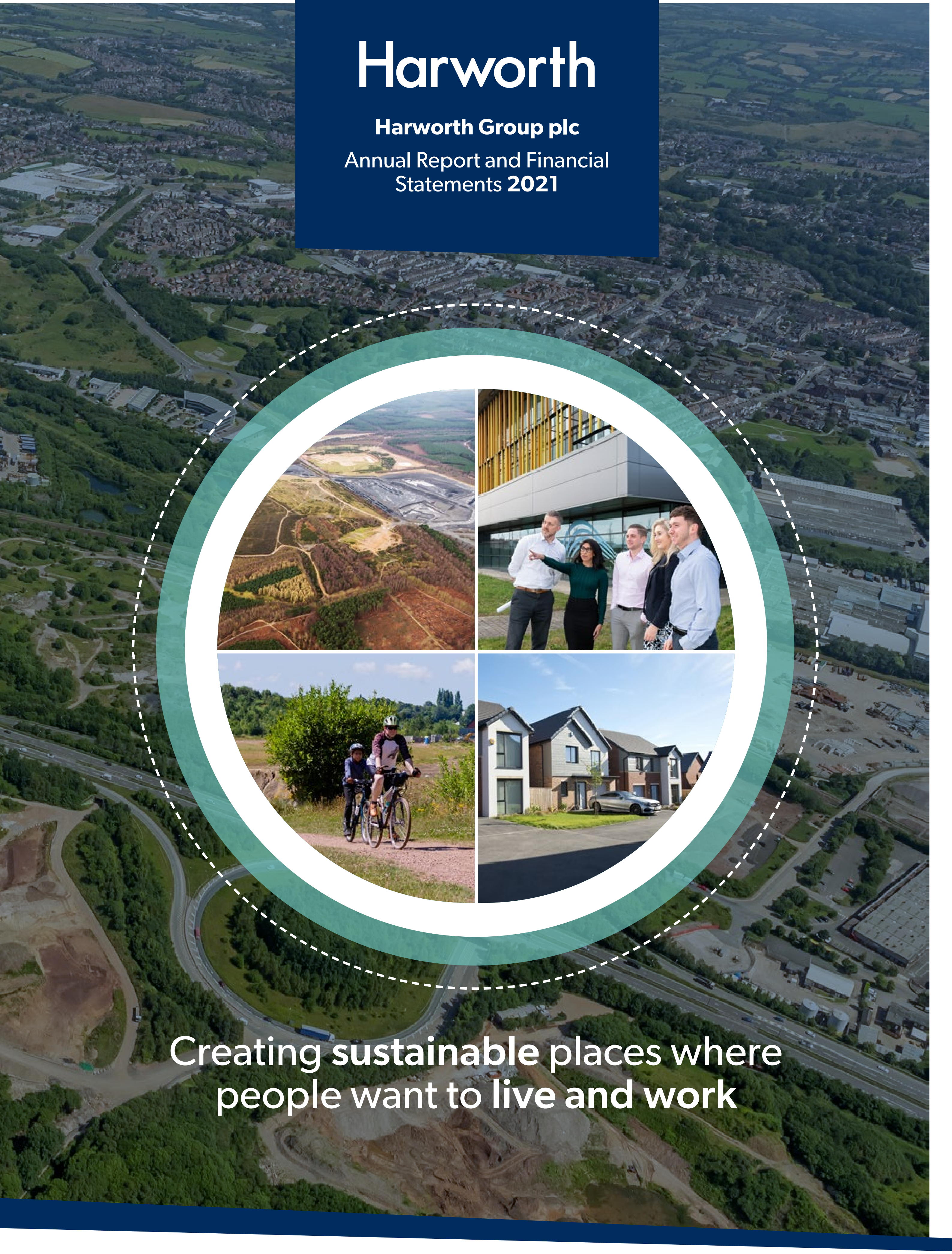
Harworth

Harworth Group plc

Annual Report and Financial Statements **2021**



Creating **sustainable** places where people want to **live and work**

Welcome to the Harworth Annual Report

Harworth is one of the leading land and property regeneration companies in the UK, owning and managing approximately 14,000 acres across around 100 sites in the North of England and the Midlands.

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

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

Visit our website for the latest company news
www.harworthgroup.com

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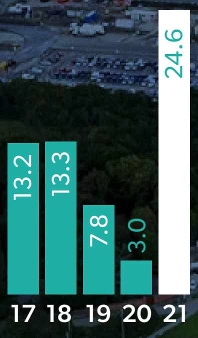
Pictured: Bardon Hill

2021 Highlights

Total Return[1]

24.6%

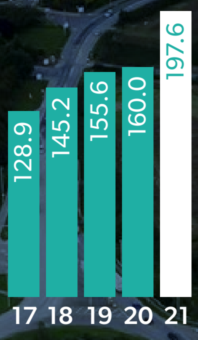
2020: 3.0%



EPRA NDV per share[1]

197.6p

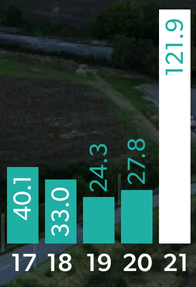
2020: 160.0p



Operating profit

£121.9m

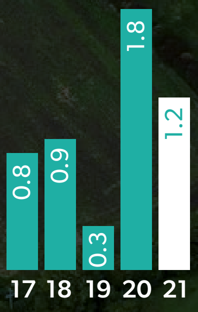
2020: 27.8



Total dividend per share[2]

1.2p

2020: 1.8p



Net debt[1]

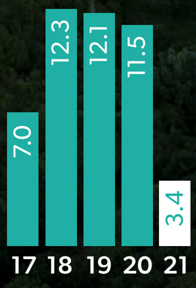
£25.7m

2020: £71.2m

Net loan to portfolio value[1]

3.4%

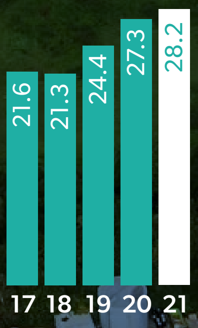
2020: 11.5%



Industrial & logistics pipeline (sq. ft)

28.2m

2020: 27.3m



Residential pipeline (plots)

30,804

2020: 30,668

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[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

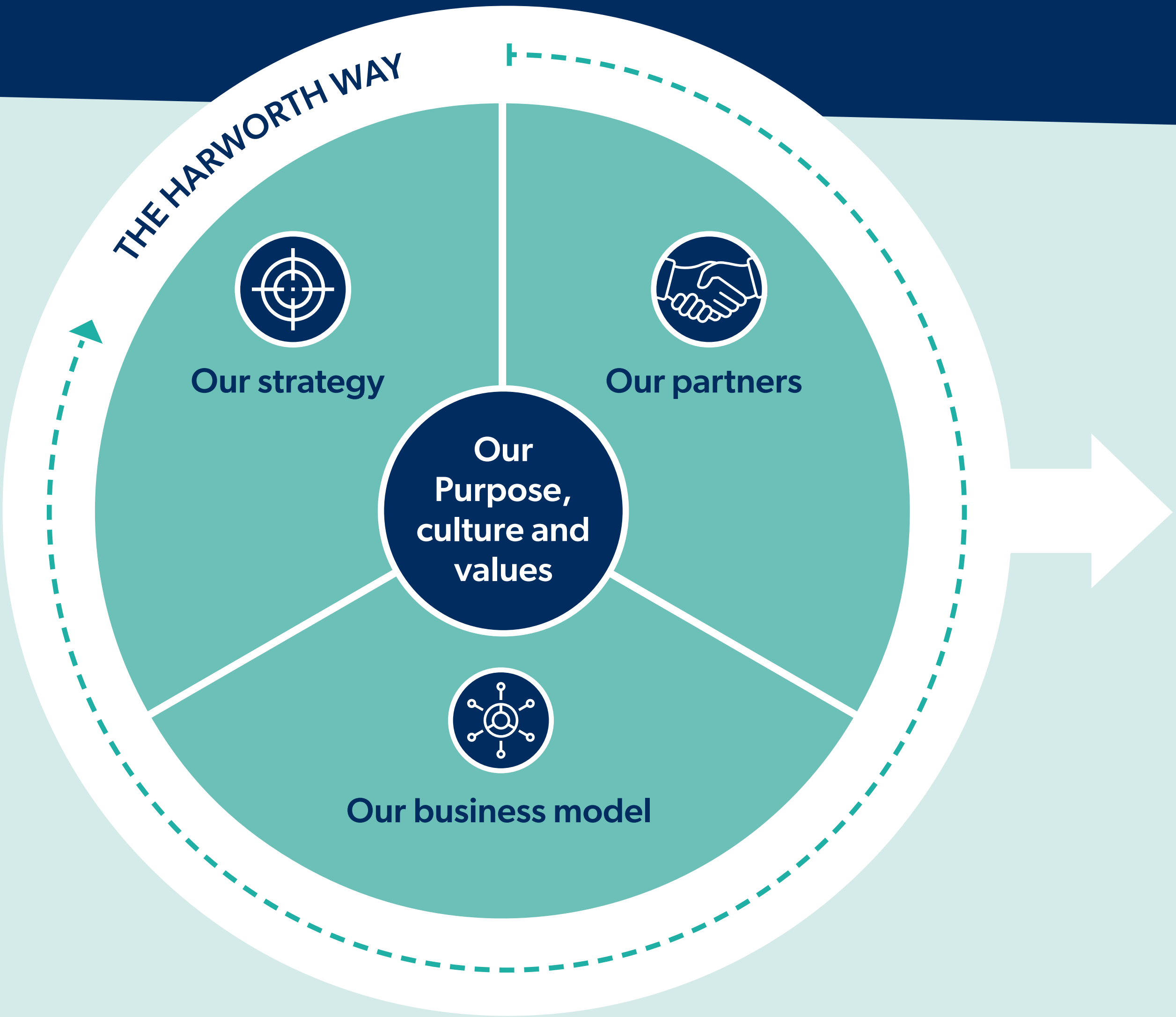
[2] Total dividend per share in 2020 comprised an interim dividend of 0.334p, a final dividend of 0.768p for 2020 and an additional payment of 0.698p representing the previously cancelled 2019 final dividend

Contents

Who we are

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

With a focus on placemaking and long-term value creation, Harworth has an established track record of transforming sites into sustainable new communities. We are uniquely positioned as a specialist regenerator of large, complex sites, with an extensive pipeline focused on the high growth industrial & logistics and residential markets.



Our Purpose, culture and values

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

Our strategy

This year we outlined our strategy to reach £1bn of EPRA NDV* over five to seven years, focused on four key drivers of growth.

Read more about **our strategy** on pages 18 to 19

Our stakeholders

We work closely with a wide range of stakeholders and build strong relationships to deliver our Purpose and strategic objectives.

Read more about **our stakeholders** on pages 44 to 47

Our business model

As a Master Developer, we create long-term value by acquiring and assembling large, complex, and often former industrial, sites and transforming them into sustainable residential and industrial & logistics developments.

Read more about **our business model** on pages 6 to 7

The Harworth Way

A commitment to sustainability and making a lasting positive impact is embedded across our culture, strategy and operations.

Read more about **The Harworth Way** on pages 48 to 69

*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.

Our Portfolio

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

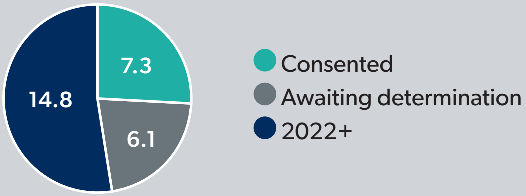
Across Harworth's three operating regions of Yorkshire & Central, the Midlands and the North West, our portfolio has the potential to deliver 28.2m sq. ft of industrial & logistics space and 30,804 residential plots. In addition, we have a £277m Investment Portfolio spread across all three operating regions.

Read more about **our portfolio** on pages 30 to 32

Our portfolio in numbers

Industrial & logistics land | 28.2m sq. ft

Planning status



Residential land | 30,804 plots

Planning status

Investment Portfolio

Number of Sites

18

Annualised rent roll

£18.0m

Vacancy

2.7%

Weighted Average Unexpired Lease Term ("WAULT")

11.5 years

● Major Developments
○ Strategic Land
■ Investment Portfolio

● **Selected key residential developments**

1. Waverley
2. South East Coalville
3. Pheasant Hill Park
4. Simpson Park
5. Ironbridge
6. Moss Nook

● **Selected key industrial & logistics developments**

1. Advanced Manufacturing Park
2. Gascoigne Wood
3. Gateway 36
4. Rothwell
5. Wingates
6. Skelton Grange

■ **Investment Portfolio (largest by valuation)**

1. Nufarm, Bradford
2. Saturn Business Park, Knowsley
3. Four Oaks Business Park, Preston
4. Melton Commercial Park, Melton Mowbray
5. Moor Lane Trading Estate, Sherburn-in-Elmet
6. Flaxby Moor Ind. Estate, Knaresborough

Our Business Model

Inputs

Our people

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

Our key markets

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

Financing

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

The Harworth Way

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

Our business model

Read our **Case Study** on pages 12 to 13

Read our **Case Study** on pages 16 to 17

Read our **Case Study** on pages 14 to 15

Outputs

Our people

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

Investors

Strong returns, with a target to reach £1bn of EPRA NDV* over five to seven years, delivered responsibly

Communities

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

Suppliers

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

Customers

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

Funders

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

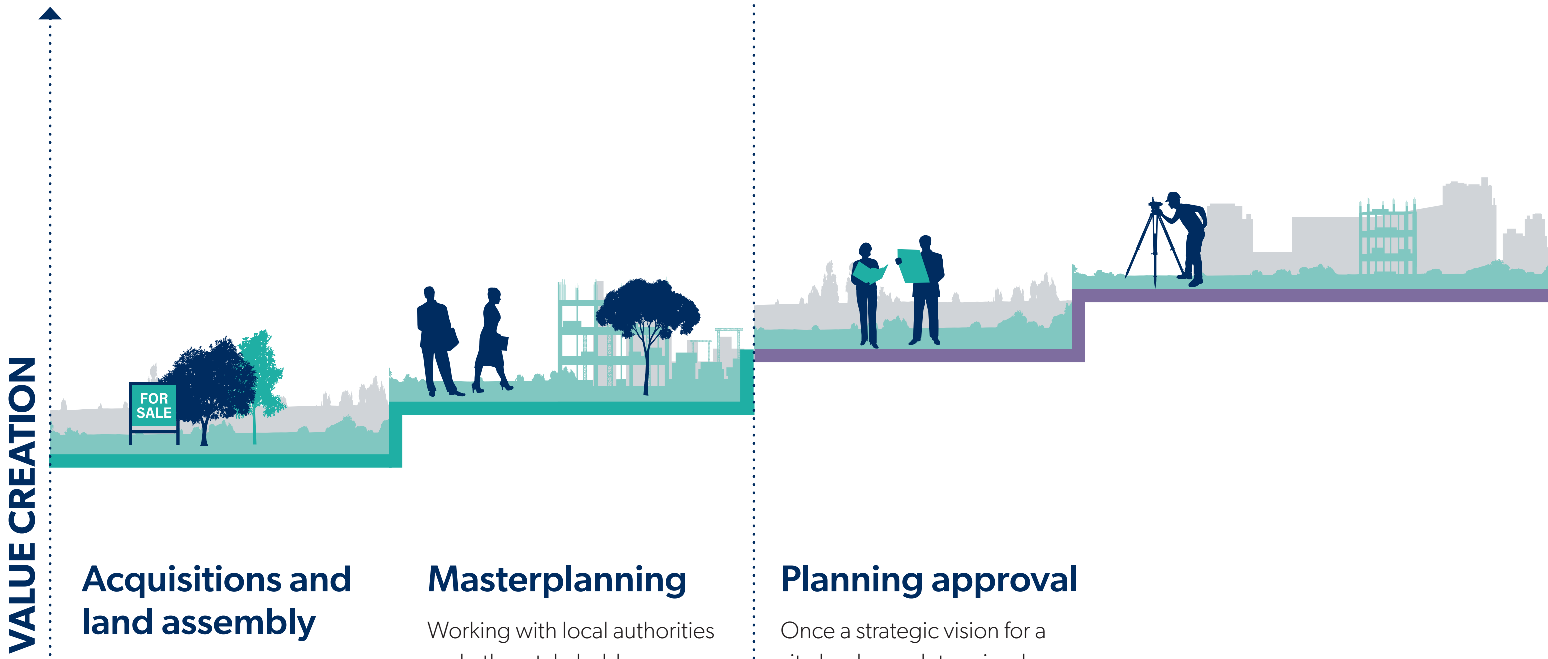
Government

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

How we create value

Strategic Land

Major Developments



Acquisitions and land assembly

Our acquisition teams work across our regions to identify new strategic land sites to add to our portfolio. Often larger sites are assembled over a number of years through the acquisition of smaller land parcels.

Masterplanning

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

Planning approval

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

Rothwell, Northamptonshire

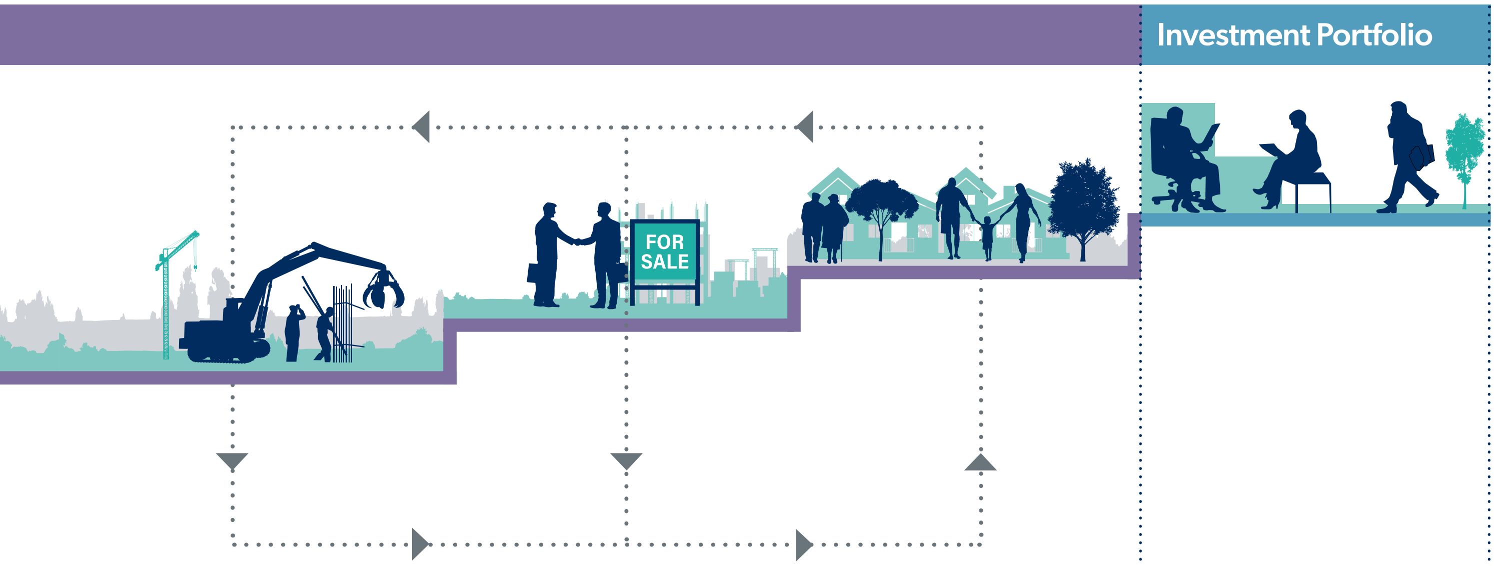
In October, we acquired this 107-acre site in the prime Midlands location known as the 'Golden Triangle'. Harworth will work with local stakeholders to bring forward a planning application for 1.5m sq. ft of industrial & logistics space.

Read more in the **Operational Review** on pages 30 to 32

Ironbridge, Shropshire

In September, we secured planning permission for the regeneration of the former Ironbridge Power Station into a mixed use development comprising up to 1,000 new homes, alongside a range of commercial, leisure and community uses.

Read more on the **Case Study** on pages 12 to 13



Land remediation and infrastructure development

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

Plot sale or direct development

At our residential developments, we largely sell serviced plots to housebuilders. In 2022, we will also be launching a Build to Rent portfolio.

For our industrial & logistics developments we either directly develop sites using our in-house expertise, or sell land parcels for construction.

Placemaking

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

Asset management

We largely retain industrial & logistics units that we directly develop and let these to a diverse range of occupiers. This generates a recurring income and allows us to crystallise further value from the high standards of placemaking and environmental specifications at our sites.

Bardon Hill, Leicestershire

In September, we began construction of 332,000 sq. ft of industrial & logistics space across six units, to be built to BREEAM "Very Good" standard and EPC rating A. Practical completion is expected in Summer 2022.

Read more on the
Operational Review
on pages 30 to 32

Logistics North, Bolton

Greater Manchester

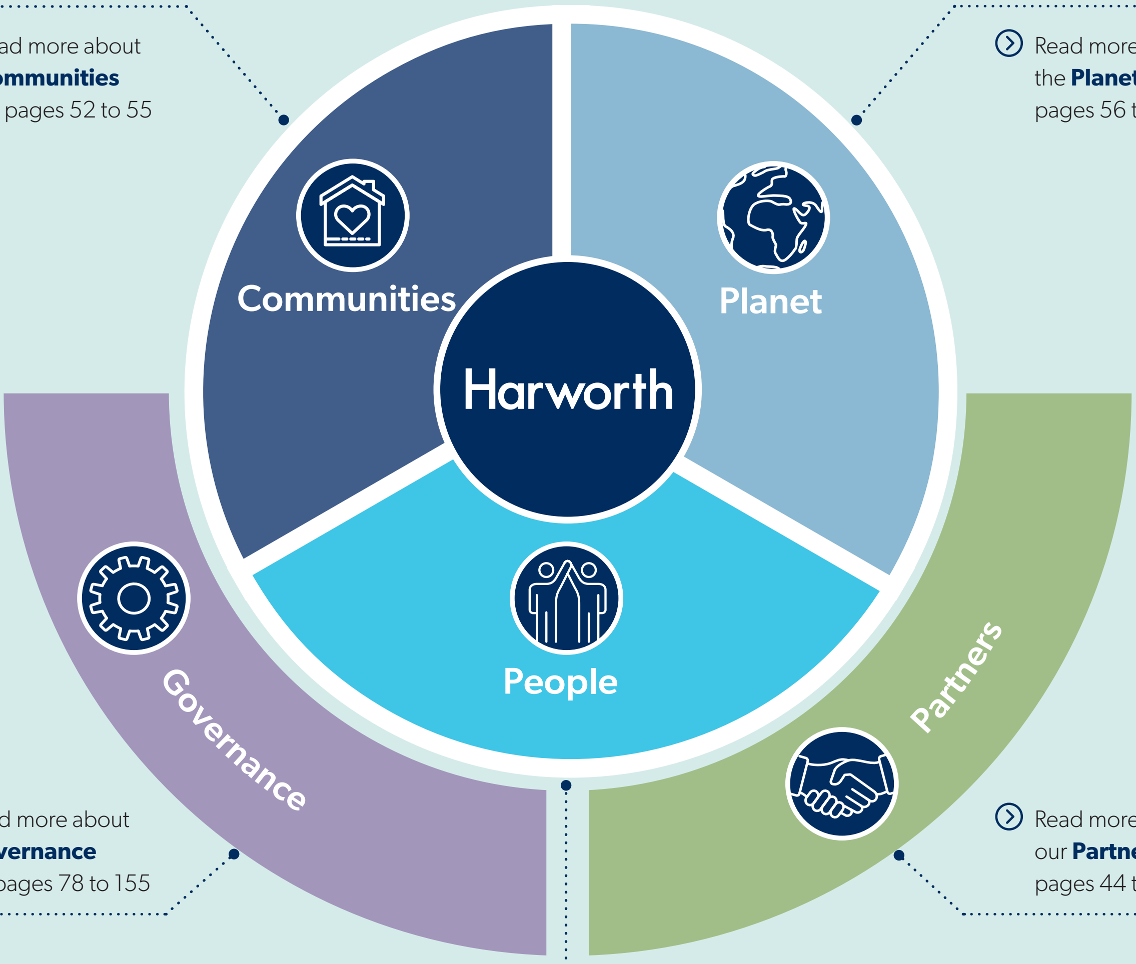
During the year, we completed 331,400 sq. ft of new lettings at Logistics North, concluding eight years of development at the site and triggering significant one-off promote fees.

Read more on the
Case Study
on pages 16 to 17

The Harworth Way

Doing business the Harworth Way

As a specialist regenerator of land and property, a commitment to sustainability is embedded across our culture, strategy and operations, and we view this as critical to making a lasting positive impact on our communities and the environment. This commitment is delivered through the five pillars of the Harworth Way.



Read more about **Communities** on pages 52 to 55

Read more about the **Planet** on pages 56 to 59

Read more about **Governance** on pages 78 to 155

Read more about our **Partners** on pages 44 to 47

Read more about **People** on pages 60 to 63

Impact Pillars

Communities

Creating, strengthening and supporting our communities today and for the future

- Our industrial & logistics pipeline has the potential to generate **£4.1bn of Gross Value Added ("GVA") per annum**
- Donated **over £67,000** and volunteered **71 staff hours** to support local causes
- Funding secured for **two innovative cycling infrastructure projects** at Waverley and Thoresby Vale

Planet

Minimising our environmental impact, building climate resilience and promoting biodiversity

- Competed LN50, our first building capable of being **Net Zero Carbon in operation**
- Installed **solar panels** at Advantage House, **generating 80,000 kWh of renewable electricity per annum**
- Introduced staff salary sacrifice **car scheme** exclusively for **low or zero emission vehicles**

People

Maintaining an inclusive, supportive and empowered culture in which people can fulfil their potential

- **Enhanced maternity & adoption, paternity and hybrid working policies**
- **97%** of staff say they are **proud to work for Harworth in our 2021 survey**
- Trained **five** members of staff to date as **mental health first aiders**

Supporting Pillars

Governance

Ensuring the highest standards of corporate governance

See **Governance Report** on pages 78 to 155

Partners

Building strong relationships with all stakeholders to deliver long-term value

See our **Section 172 disclosure** on pages 44 to 47

UN SDGs

Harworth is a supporter of the UN Sustainable Development Goals ("SDGs") and a signatory to the UN Global Compact. We have selected six primary UN SDGs which are closest aligned to our strategy and operations, and where we believe we can make the biggest impact as a business.

Find out more on pages 48 to 51

Primary SDGs

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

10 REDUCED INEQUALITIES

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

CASE STUDY

Strategic Land

Ironbridge, Shropshire

Transforming a former power station into a sustainable new community just minutes from a World Heritage Site.

In September 2021, Harworth received planning approval for the regeneration of the former Ironbridge Power Station in Shropshire into a mixed-use development comprising 1,000 new homes, alongside a range of commercial, leisure and community uses.

Harworth acquired the 350-acre site in June 2018, before which it had been used for electricity generation for over 80 years. Located less than a mile from the Ironbridge Gorge World Heritage Site, the site is bordered by the River Severn to the north and an extensive area of ancient woodland to the south, providing a dramatic backdrop for the development of a new community.

Harworth held its first public consultation event at the site in October 2018 and used stakeholder feedback to create an illustrative masterplan for the site. In June 2019, Harworth commenced demolition works to remove the former power station buildings and associated infrastructure, which included the demolition of the power station's four cooling towers later that year. The outline planning application for the development was submitted in December 2019, alongside a separate application to extract up to 1.9 million tonnes of sand and gravel as part of the site preparation works.

The proposed development will deliver around 1,000 new homes, in addition to a retirement village, up to 200,000 sq. ft of employment space comprising offices and light industrial units, and a local centre offering convenience retail and other services. The plans will also provide a range of community amenities such as allotments, sports pitches, and a new primary school. In addition, the former power station's 1930s pumphouse will be retained as part of the proposals and transformed into a flexible space for community and leisure uses.

Protecting and enhancing local biodiversity

The Ironbridge development will incorporate extensive green space, including 56 acres reserved exclusively for protecting biodiversity. As part of the site preparation works, Harworth installed six great crested newt ponds, a bat barn which is also used as a moth habitat, and a 21 metre-tall nesting tower for Peregrine falcons.

Aerial view of the Ironbridge site

CGI of the masterplan for Ironbridge site

The provision of green infrastructure is central to Harworth's masterplan. The development will include a comprehensive network of off-road walking and cycling routes to enable active travel choices and provide connectivity to the surrounding area, and Harworth is currently exploring opportunities to bring the old railway link to the site back into use. The plans will also provide extensive green space such as pocket parks, play areas and vegetation throughout the public realm, and several new attenuation ponds, which will offer enhanced protection for local wildlife.

Extensive flood risk scenario planning has been incorporated into the development's design, and recent flooding in February 2022 at Ironbridge did not impact the site.

Site preparation works are ongoing, with demolition works complete. The development will now be delivered in phases over 10 to 15 years.

> Our masterplan for Ironbridge will transform this former industrial site into a sustainable new community, providing additional homes, jobs and infrastructure for local people. We have worked with stakeholders every step of the way to ensure this is a long-term development that the community can be proud of, and one that is well connected to the existing local network of roads, footpaths and open spaces that surround the site.

DAVID COCKROFT
Regional Director for the Midlands

Working with partners on low emission public transport opportunities

The Ironbridge site benefits from two rail links to the mainline from Shrewsbury to Wolverhampton, which were originally used to transport materials to the power station. Harworth is exploring opportunities to bring them back into use.

During the year, we partnered with Revolution VLR, a consortium of advanced manufacturing companies aiming to develop the next generation of "very light rail" vehicles and technologies, to develop a test vehicle and track along a stretch of disused railway at the site. Combining technology from the automotive and rail sectors, Revolution VLR has produced a lightweight, energy-efficient vehicle that is straightforward to operate and geared to the needs of communities, providing a modern, attractive and cost-effective vehicle solution that it is hoped will facilitate the reopening of disused railway lines.

CASE STUDY

Major Development

Gateway 36, Barnsley, South Yorkshire

A major hub for logistics and manufacturing in Yorkshire, adjacent to Junction 36 of the M1

Gateway 36 is a 127-acre site which was formerly home to the Rockingham Colliery. It benefits from its adjacency to Junction 36 of the M1 and direct frontage on to the Dearne Valley Parkway in Barnsley, providing direct links to Leeds, Sheffield and Doncaster. The development has received £3.1 million of funding from Sheffield City Region, to support infrastructure works at the site.

In 2015, Harworth received outline planning permission for Phase 1 of the development, comprising 145,300 sq. ft of space, with units let to occupiers including the Environment Agency, Esco and Car Supermarket and a number of small fast food outlets. In summer 2019, Harworth sold the commercial units on Phase 1 to Mayfair Capital to fund new acquisition opportunities across the business.

In December 2021, Harworth sold a 24-acre plot at the site, representing Phase 3 of the development, to Firethorn for £11.6 million. Firethorn will develop a 340,000 sq. ft logistics facility, to BREEAM 'Excellent' standard.

Shortly after the year-end, Harworth secured planning permission for 110,000 sq. ft of industrial & logistics space at the site, representing the initial stage of Phase 2. This will comprise the direct development of three buildings ranging from 23,000 sq ft to 49,500 sq ft, which will include up to 10% office space and will be marketed as "R-Evolution 36". The smallest building will be split into four units of 5,750 sq ft each to ensure its suitability to a broad range of occupiers.

A further stage of Phase 2 will see the development of two buildings, which will provide an additional 425,000 sq. ft of industrial & logistics space.

Harworth has secured a site-specific debt facility to deliver the development, and is already well progressed with the creation of platforms and access roads at the site. We intend to begin construction of Phase 2 in early 2022.

CGI of the masterplan for Gateway 36

Aerial view of Gateway 36

Designing Net Zero Carbon-capable buildings

Phase 2 of Gateway 36 will be built to Harworth's latest environmental building specifications. Units will be built to BREEAM "Very Good" standard, with 11% of the roof area covered by solar PV panels, and an enhanced design to allow occupiers to increase this coverage to 100%. The scheme will also include 20 EV charging points, rainwater harvesting and a sustainable heating and cooling system, as well as a building envelope design that is sympathetic to the surrounding environment.

> The next phase of Gateway 36 will meet the growing demand for well-connected, high-specification industrial & logistics space in Yorkshire. In addition to supporting new jobs in the area, the development's environmental impact will be minimised through the use of on-site energy generation and energy efficient design.

CHRIS DAVIDSON
Joint Regional Director for Yorkshire & Central

CASE STUDY

Investment Portfolio

Logistics North, Bolton, Greater Manchester

One of the most high-profile logistics and manufacturing schemes in the North West

Harworth received outline planning consent for Logistics North, the largest live commercial development in the North West of England, at the end of December 2013. Over 5,500 people are now employed at the site, which was once home to the Cutacre deep surface mine, by occupiers including Aldi, Whistl, MBDA, Greene King, Costa and Komatsu. On completion of the development works and asset management activities by third parties, the scheme will deliver over 7,000 jobs and add around £300m p.a. in Gross Value Added to the Greater Manchester economy.

The Logistics North scheme benefits from strong support from Bolton Metropolitan Borough Council, the Greater Manchester Combined Authority, and MIDAS – Greater Manchester's Inward Investment Agency.

In May 2021, Harworth completed the direct development of a 50,800 sq. ft unit, LN50. The unit was Harworth's first to be designed to allow it to be Net Zero Carbon in operation, and has since been let to a manufacturing occupier.

"Multiply" is the commercial development scheme at Logistics North and is being delivered through a joint venture established in May 2017 between Harworth and the LPPI Real Estate Fund. The scheme is let to a diverse mix of regional and national occupiers, with unit specifications that include a BREEAM rating of "Very Good", office space comprising 5-10% of the overall internal area, and secure service yards with 38-50 metre depth.

Later in the year, Harworth completed two lettings which concluded Multiply, triggering significant promote fees. This comprised a 149,300 sq ft Grade A warehouse, and an adjoining plot for a last mile parcel facility and electric vehicle charging car park.

Aerial view of Logistics North and Cutacre Country Park

Industrial unit at Logistics North

Delivering a 550-acre country park at Logistics North

One of the unique aspects of Logistics North is the 550-acre country park that surrounds the site. In addition to providing over 18km of footpaths, bridleways and cycle ways to connect the site to Bolton, Salford and Wigan, the site includes woodland areas, watercourses and panoramic viewing points. This provides a highly attractive landscape that workers and local residents can benefit from.

> The quality of the tenant mix and speed at which we have been able to complete lettings at Logistics North reflects the high specification of the individual units and accessibility of the scheme, and the shortage of suitable warehouse space in the North West, as well as Harworth's market-leading ability to remediate and transform brownfield and unused land.

STEVEN KNOWLES

Regional Director for the North West

Our key drivers of growth

1

Increasing direct development of industrial & logistics sites

Harworth is an experienced developer, having built 1.3 million sq. ft of industrial & logistics space since 2015.

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

What we will do

We aim to undertake the direct development of much of our consented pipeline, scaling up from an average of 200,000 sq. ft of direct development per annum between 2015 and 2021 to an average of 800,000 sq. ft per annum by 2026. From our current pipeline, we expect to deliver 3.2 million sq. ft of development by 2026, representing Gross Development Value ("GDV") of £400 - £440 million.

We intend to manage the market risk associated with such development by combining pre-letting and selective land sales with speculative development. This programme of development will be funded by a mixture of project debt, cash generated from wider portfolio sales, our core banking facilities, and site-specific selective use of joint ventures.

Link to KPIs

- Total Return
- Net Asset Value and EPRA NDV
- Industrial & logistics space developed
- Total industrial & logistics pipeline

Link to principal risks

- Supply chain cost inflation and constraints
- Supply chain and delivery partner management (counter-party risk)
- Statutory costs of development
- Residential and commercial markets
- Resourcing
- Availability of appropriate capital
- Managing climate change transition

2

Accelerating sales and broadening the range of our residential products

Harworth's residential land portfolio is significant and has the ability to deliver in excess of 30,000 housing units into the market.

The UK housebuilding sector is in robust health, evidenced by the strong demand from housebuilders for our engineered land product. The sector is also evolving, with increased consumer and investor appetite for Build to Rent products. While initially concentrated in urban centres, this market is now expanding into suburban areas and beyond.

What we will do

Our portfolio is particularly well-suited to delivering institutional quality single-family rental homes in a volume that can deliver the required return on investment. As a result, we plan to develop an initial single-family rental portfolio, to be launched in 2022, which we intend to be delivered through a forward-funding agreement.

Through a combination of increased plot sales using Harworth's traditional "Build to Sell" markets and new residential products, our ambition is to double sales to around 2,000 plots per annum by 2026.

Link to KPIs

- Total Return
- Net Asset Value and EPRA NDV
- Number of plots sold to housebuilders
- Total residential pipeline

Link to principal risks

- Supply chain cost inflation and constraints
- Supply chain and delivery partner management (counter-party risk)
- Statutory costs of development
- Residential and commercial markets
- Availability of appropriate capital
- Managing climate change transition

3 Growing our strategic land portfolio and land promotion activities

Our existing landbank of approximately 14,000 acres underpins our ability to deliver our strategy with around a third in terms of plots and sq. ft already consented.

We take a long-term view ensuring we replenish our stock, focusing resources on securing a significant future pipeline which will deliver our continued future growth. Our regional and head office teams have dedicated acquisitions specialists and we leverage their expertise to acquire and assemble land through a blend of freeholds, options and planning promotion agreements ("PPAs").

What we will do

We target maintaining a 12-15 year land supply at any time. As we step into the delivery of our strategy, organic growth of the business will be supplemented by developing key partnerships to assemble and deliver large scale regeneration schemes with the potential also for larger acquisition opportunities which may present themselves.

Link to KPIs

- Total Return
- Net Asset Value and EPRA NDV
- Total industrial & logistics pipeline
- Total residential pipeline
- Potential GVA that could be delivered from our portfolio

Link to principal risks

- Availability of and competition for strategic land sites
- Residential and commercial markets
- Resourcing
- Availability of appropriate capital
- Managing climate change transition

4 Repositioning our Investment Portfolio to modern Grade A

Our Investment Portfolio, currently valued at £277m is integral to the way that we fund our business and will continue to be so for the foreseeable future.

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

What we will do

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

Having controlled all aspects of the quality, design, sustainability and environmental impact of the end product, this portfolio shift will enable us to leverage further upside from our direct developments and allow us to stabilise assets where necessary.

Link to KPIs

- Total Return
- Net Asset Value and EPRA NDV
- Proportion of our Investment Portfolio that is Grade A
- Scope 1, Scope 2 and selected Scope 3 emissions

Link to principal risks

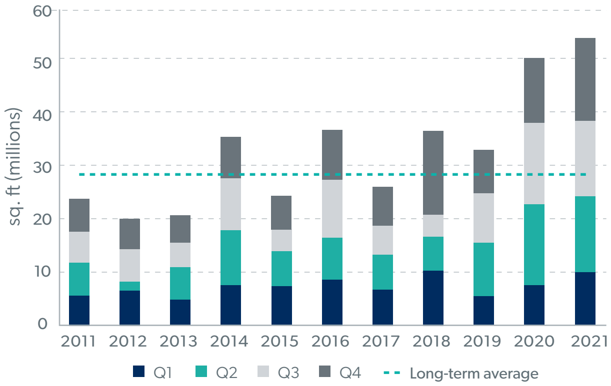
- Residential and commercial markets
- Resourcing
- Managing climate change transition

Our markets

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

Industrial and logistics

Take-up of UK industrial & logistics units per year

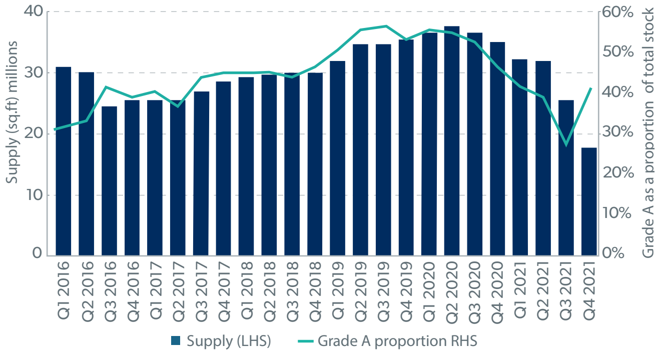


Source: Savills

Strong demand from a wide range of occupiers

Take-up of UK industrial & logistics assets reached a record high in 2021, surpassing records set in the previous year. Demand was driven by several factors including the growth of online retailing, the onshoring of supply chains following the UK's withdrawal from the EU, and the response to the supply chain disruption seen in the second half of the year. Data from Savills also suggests that the breadth of demand by occupier sector is widening, with a slight decline in demand from online retail companies and increased demand from third-party logistics, automotive, manufacturing and high street retail companies.

Supply of industrial & logistics units per quarter

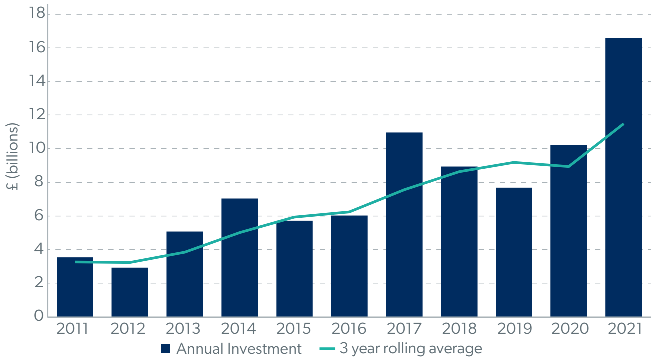


Source: Savills

Constrained supply resulting in record-low vacancy

Given strong demand, supply of UK industrial space fell at its fastest pace recorded in the fourth quarter of 2021, to 17.4m sq. ft, reflecting a vacancy rate of 2.9%. Savills reports that Grade A supply has fallen to 7.2m sq. ft, almost a third of the levels seen at the beginning of 2020. The market has responded with increased levels of construction, but there are various headwinds that could delay the delivery of new space, including challenges in the planning system, supply chain disruption and the rising cost of construction materials.

Investment volumes for industrial & logistics assets



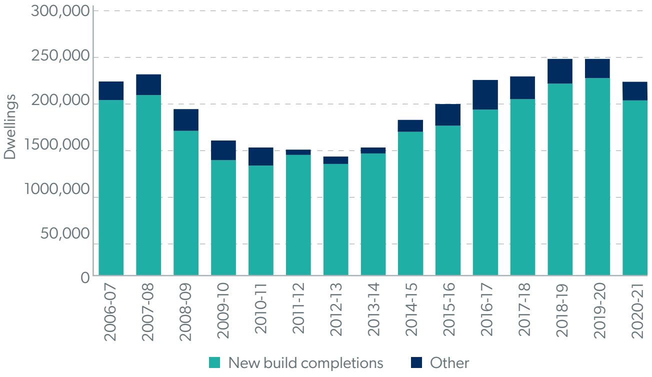
Source: PropertyData

Active investment market

The strength of occupational markets and low levels of vacancy have driven rental growth and continued positive investor sentiment towards industrial & logistics assets. Total investment volumes reached a new high in 2021, exceeding the previous record set in 2020 by almost 75%. As well as corporate deals, the market has seen a rise in both the number of single-unit deals and average lot sizes. The continued flow of capital into the market continues to put downward pressure on yields.

Residential

Annual net additional dwellings in England

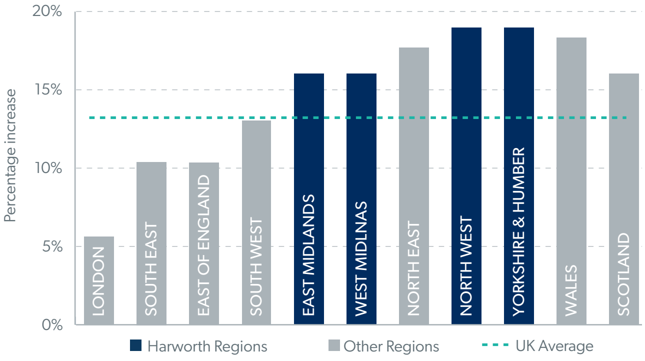


Source: Department for Levelling Up, Housing & Communities

Supply remains far below UK Government targets

The UK Government has a long-standing target of 300,000 new homes per year. Net delivery of new homes has been in excess of 200,000 for the past five years but remains well below the Government target. Recently proposed reforms to the planning system and additional funding such as the Affordable Housing Funding Programme and Housing Infrastructure Funding have the potential to increase annual delivery. However, uncertainty caused by rising inflation, rising interest rates and shortages of labour and materials could provide short-term headwinds.

House price forecasts for five years to 2026

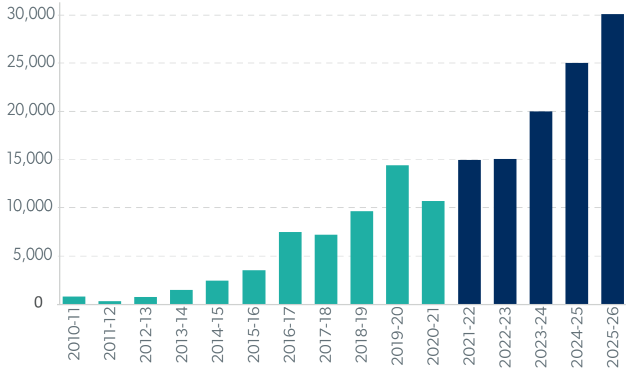


Source: Savills

Strong demand for housing continues, particularly in the North and Midlands

Demand remains high across all areas of the housing market. As well as structural factors such as population growth and increased urbanisation, a number of short-term factors are impacting demand. These include competition in the mortgage market, which has seen an increase in the affordability and availability of mortgage finance, government interventions such as the stamp duty holiday, and the impact of Covid-19 on consumer preferences. Savills predicts double-digit house price rises across every region of Great Britain over the next five years, with two of Harworth's focus regions – Yorkshire & Humber and the North West – expected to see the highest growth.

Historical and forecast BTR completions in England



Source: Historical data from Department for Levelling Up, Housing & Communities. Forecasts from Savills.

Rising demand for built to rent

The UK Private Rental Sector ("PRS") continues to grow, driven by a shortage of social and affordable housing, the flexibility that PRS offers to an increasingly mobile workforce, and the quality and location of PRS homes. While the institutional market for multi-family PRS units in urban centres is well-established, the market for single-family PRS remains in its infancy, but is growing. In particular, families are demanding suburban locations on the periphery of employment hubs, with good access to local schools, outdoor spaces, retail and health services.

Key Performance Indicators

Strategy link key

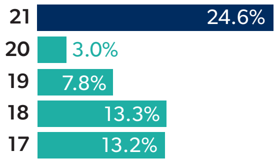
1	Increasing direct development of industrial & logistics stock
2	Accelerating sales and broadening the range of our residential products
3	Growing our strategic land portfolio and land promotion activities
4	Repositioning our Investment Portfolio to modern Grade A
H	The Harworth Way
£	Group Financial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

Financial Track Record

Total Return

What we measure

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

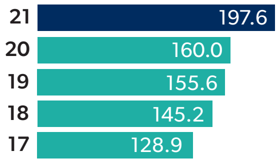


Link to strategy: 1, 2, 3, 4 £

EPRA NDV per share

What we measure

A European Public Real Estate Association ("EPRA") metric that represents Net Asset Valuation where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability.

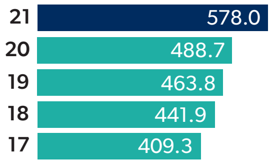


Link to strategy: 1, 2, 3, 4 £

Net asset value

What we measure

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

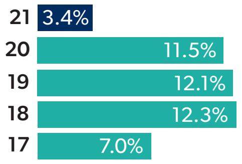


Link to strategy: 1, 2, 3, 4

Net loan to portfolio value ("LTV")

What we measure

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



Link to strategy: 1, 2, 3, 4 £

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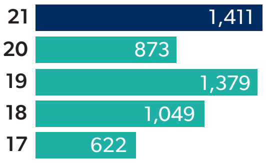
*Harworth discloses both statutory and alternative performance measures (APMs). A full description and reconciliation to the APMs is set out in Note 2 to the financial statements.

Economic and Social Track Record

Number of plots sold to housebuilders

What we measure

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

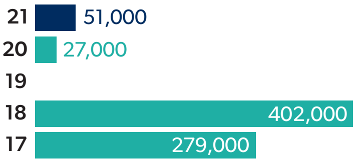


Link to strategy: 2, Ⓗ

Industrials & logistics space directly developed (sq. ft)

What we measure

The total amount of space directly developed by Harworth that is completed during the year.

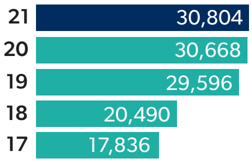


Link to strategy: 1, 4, Ⓗ

Total residential pipeline (plots)

What we measure

The total number of residential plots that could be delivered from our pipeline, excluding any already sold but including options and PPAs.

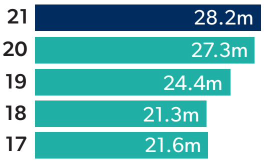


Link to strategy: 2, 3

Total industrial & logistics pipeline (sq. ft)

What we measure

The total amount of industrial & logistics space that could be delivered from our pipeline, excluding any already built or sold, but including options and PPAs.

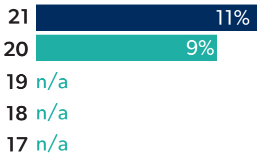


Link to strategy: 1, 3, 4

Proportion of Investment Portfolio that is Grade A

What we measure

The proportion of our Investment Portfolio that is classified as modern Grade A industrial & logistics space

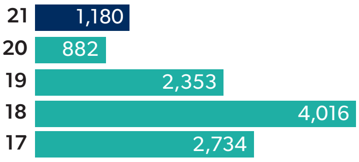


Link to strategy: 4, Ⓗ

Scope 1, Scope 2 and selected Scope 3 emissions (tonnes CO_2e)

What we measure

Emissions that we need to reduce to zero to achieve by our 2030 Net Zero Carbon target.



Link to strategy: 4, Ⓗ

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

What we measure

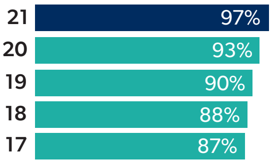
Calculated by Ekosgen, an economic impact consultancy, the estimated potential GVA of our portfolio once fully built out.

Link to strategy: 3, Ⓗ

Satisfaction of our employees

What we measure

The proportion of employees who said they were "proud to work for Harworth" in our annual employee survey.



Link to strategy: Ⓗ

Chair's Statement

> Defining a strategy is one thing: delivering on it another. At the core of our ability to deliver are our people and the financial resources we have at our disposal.
>
> **Alastair Lyons**
> Chair

Introduction

Last year, when writing on the subject of business value, I commented on the Harworth share price standing at a 20% discount to EPRA NDV*. In considering how to address this I wrote that "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 future investors. These are the key measures of success against which the Board will assess the achievement of our management". I am, therefore, very pleased that at the end of 2021 our share price represented just a 2% discount to our last reported EPRA NDV*, testament to a very strong year's trading and the recognised demonstration of progress already achieved against the clear and ambitious strategic objectives set out by Lynda Shillaw, our Chief Executive, at the time of the interim statement. She articulated her goal to double the EPRA NDV* of Harworth from £515.9m at the end of 2020 to in excess of £1bn over the following five to seven years. After 12 months, supported by strong market tailwinds, a quarter of that ambition has already been achieved.

Our strategy and its delivery

These revised strategic objectives do not fundamentally alter what Harworth is: rather they seek to realise greater value and pace from the core capabilities of our specialist and highly experienced team in acquiring, assembling, master-planning, and developing a strategic land bank of primarily large complex sites frequently requiring fundamental regeneration.

We have no plans to alter materially our historic focus both on the regions of the North and the Midlands outside city centres and on the industrial & logistics and residential sectors. We see these as having strong underlying drivers of growth and, therefore, of demand for engineered land, whether these be the chronic failure of housing supply to match demand, the e-tailing revolution that has been turbo-charged by the pandemic, or the political aim of levelling up the country between the South and the North.

The management team does, however, plan to take a larger share of the value chain that we create and to move faster through our landbank. Hence, we are increasing the direct development of industrial & logistics stock on our sites to create our own investment portfolio of modern Grade A buildings. This in turn will allow us to dispose of those assets from our existing portfolio where we have already maximised value through the completion of asset management initiatives. At the end of this year we have 432,000 sq. ft of such development underway and another 191,000 sq. ft planned to start in 2022. To move through sites faster we are broadening the range of our residential products in response to increasing consumer and investor appetite for Build to Rent (BTR) products. We plan to test this market in 2022 with our first such portfolio of BTR houses.

Lynda and her team are also planning to increase the scale of what we do, growing our strategic land portfolio and land promotion activities. The corollary of a strong market for engineered land is strong competition for strategic sites capable of such transformation. That requires us to ensure that those who create and facilitate land supply know well what Harworth is looking for, recognise our distinctive capabilities to regenerate and master-plan sites that would deter others, and trust us to deliver on our commitments both as to what we say we will do and how quickly we will do it. We have, therefore, been very pleased to announce acquisitions such as that of a 107-acre strategic site at Rothwell, Northamptonshire, on which we plan to directly develop up to 1.5m sq. ft of Grade A industrial & logistics space in this prime Midlands industrial location.

Thoresby Vale, Nottinghamshire

Resourcing our strategy

Defining a strategy is one thing: delivering on it another. At the core of our ability to deliver are our people and the financial resources we have at our disposal.

We are hugely fortunate to have a team of very experienced and highly committed people who have achieved excellent results over the past years. That core team is in turn strongly supported by those external organisations that supplement our core master-planning, project management and development. If, however, we are to tackle more sites and work through them more quickly we need to grow both that core team and the external support we contract-in. Hence, from 75 people making up Harworth at the end of 2020 we entered 2022 with 91. Finding individuals with the skills, experience, and culture that we require is not easy. Alongside expanding our leadership team to add the necessary expertise in such areas as direct development and residential BTR, we are also committed to growing our own, providing opportunities for young people to join us and then helping them to develop their skills and experience to move into more senior roles.

In terms of financial resources we were very pleased to reach agreement shortly after the year-end on a new five-year Revolving Credit Facility (**RCF**) with our existing lenders NatWest and Santander in which they have been joined by HSBC. The facility in place during 2021 was increased during the second half of the year, from its previous level of £130m to £150m, and the new RCF agreed in 2022 was increased to £200m, which in turn follows the growth in Harworth's asset value. Whilst this increases the funding we have available to accelerate through our sites and undertake more direct development we intend to retain our principle of low financial gearing, planning only a modest increase in maximum year-end loan to value from 20% to 25%. We know from our discussions with our shareholders that our approach to low gearing has their support.

Our Environmental, Social & Governance ("ESG") credentials

In early 2020 we established what we call the Harworth Way – the way in which we deliver on our purpose of investing to transform land and property into sustainable places where people want to live and work. We deliver through five principal themes to address major social, economic and environmental trends: Communities, Planet, People, Partners and Governance. In turn we map these elements of the Harworth Way onto the relevant UN Sustainable Development Goals.

These elements, which are at the heart of how Harworth does business, are now recognised as the bedrock of a company's ESG credentials and I am personally greatly heartened by the speed with which ESG considerations have moved up the corporate and financial sector agenda. Investors in both debt and equity now seek to understand companies' positions against relevant measures of their ESG credentials and their plans to develop those credentials as they deliver against their strategic objectives, whether this be their environmental credentials in terms of their pathway to Net Zero Carbon or their social credentials in terms of the diversity of their boards and businesses. Such considerations are no longer statistics in the pages of the annual report but core elements by which businesses are judged.

Last year we established an ESG Committee of the Board and I am very grateful to Angela Bromfield, our Senior Independent Director, for her willingness to chair this new committee. Harworth has a considerable impact on the environment as a developer and oft times regenerator of strategic land, and on communities through our bringing forward of substantial commercial and residential development, often creating whole new communities where people live and work. How we plan, and take input from our stakeholders on, that impact is fundamental to what our teams

Chair's Statement continued

do every day. A strategic site will often be developed fully over 10 or more years: our teams have to consider now what the world will need in 10 years' time as they masterplan the nature of our developments and their infrastructure.

In considering our impact on the environment and on communities we must have regard to both what we cause and also the impact of our supply chain, the tenants in our commercial portfolio, and those who will live in the developments we make possible. Suffice it to say these considerations are complex and in many parts uncertain, whilst there are also sharply contrasting scenarios as to how the environment may itself be influenced by climate change. Hence there is a need to create a focal point in the Board process where these topics can be discussed and strategies agreed, at the same time establishing oversight over increasingly complex and varied reporting of these issues. We recognise that defining the pathway to achieve our Net Zero Carbon objectives and developing comprehensive TCFD reporting remains work-in-progress, as it does for many others, but we are committed to maintaining the achievement of these objectives at the forefront of Board decision-making.

My thanks

Covid-19 made 2021 another difficult year for our people and those in the organisations that support us. Working from home predominated and for some families that meant both parents seeking to fulfil their work commitments from home alongside home schooling their children – an almost impossible ask! That we achieved what we did despite this backdrop is testament to the commitment and capability of our teams and those who support them, to all of whom I express my gratitude.

Having had considerable change in our Board last year I was delighted to have neither departures nor arrivals during 2021.

Within our executive I would like to mark Ian Ball, our Chief Operating Officer, leaving the business at the end of January after more than seven years. Having started his career with Harworth managing our Investment Portfolio and then broadening his role to have oversight over all our regions' operating activities, Ian's deep commercial understanding of our sites and their potential has been a mainstay of Harworth: we could not have achieved what we have without his input and we wish him all the best for the future. However, as one door closes another opens and we were very pleased to welcome both Andrew Blackshaw, as our new Chief Operating Officer, and Jonathan Haigh, who has taken the new role of Chief Investment Officer. They both have considerable experience in our sector and are already making a marked contribution to our business.

I would also thank Nigel Turner, our interim Chief Financial Officer, for stepping into the big gap left by Kitty Patmore's maternity leave – not easy to take the helm of a ship moving at speed with the wind full in its sails! Our congratulations to Kitty on the birth of her son.

Finally my thanks to Lynda Shillaw, our Chief Executive, for what she has achieved in her first year with us, redefining Harworth's strategy and repositioning our medium-term objectives whilst at the same time putting in place the resources, human and financial, she needs to deliver against them, and leading the achievement of a very strong outturn for the year.

ALASTAIR LYONS
Non-Executive Chair
21 March 2022

*Harworth discloses alternative performance measures (APMs) which are reconciled in Note 2 to the financial statements.


Bardon Hill, Leicestershire

Chief Executive's Review

> I would like to thank the Harworth team for their hard work and dedication, for delivering an outstanding set of results in 2021, and for stepping up to help to develop and mobilise our new strategy.
>
> **Lynda Shillaw**
> Chief Executive

Introduction

The end of 2021 marked my first full year at Harworth, one which has been both exciting and challenging, as we navigated delivering business as usual, and developing and mobilising a new strategic plan, through another year which was impacted by Covid-19.

Our results show that 2021 was a very strong year for Harworth both in terms of our performance - delivering significant growth in EPRA NDV* and a Total Return* during the period of 24.6%, our highest annual Total Return on record - and the launch and completion of my strategic review of the business. This outlined an ambitious growth strategy, building on the skills of our people and our asset base to drive growth, maximise returns to investors and grow the size of the business to £1bn of EPRA NDV* over five to seven years, starting from the end of 2020.

Our strategy is evolution not revolution, and fundamentally we remain a business that is regionally focused in the industrial & logistics and residential sectors. We have a deep understanding of the regions that we operate in and continue to deploy our specialist skills to assemble complex sites and work them through the planning process and into production. Our strategy work has identified the potential of our landbank to do more, faster, and provides a roadmap to enable us to scale up the creation of sustainable places where people want to live and work.

Our markets

The industrial & logistics and residential markets remained buoyant throughout 2021 and both are still characterised by structural undersupply. We continued to see a depth of market demand from occupiers and investors for both built stock and, increasingly, strategic land within our industrial & logistics portfolio, as well as for our residential serviced land product.

Investor, occupier and homeowner demand strengthened through 2021, despite cost and supply chain pressures also surfacing, and our sales during the year were either ahead of, or in line with, December 2020 valuations, as we continued both to drive value into our sites through our management activities as well as capture a strong market in underlying land values. We exchanged on the sales of our Kellingley development site in North Yorkshire for £54.0m and Ansty strategic land site in Warwickshire for £53.5m towards the end of the year. Whilst both conditional, these transactions highlight the quality and potential of our landbank, also providing future funds to reinvest to deliver our strategy.

Government policy remains focussed on rebalancing the UK economy and in particular driving investment into, and the regeneration and growth of, the economies of the regions. With the pandemic diverting government resources and focus, the reality of this on the ground is a slower pace of change than the expectation set.

The publication of the Integrated Rail Plan and more recently the Levelling Up White Paper have started to provide more colour and a framework for business to work within: however, there is much more to do to bring this to life. Harworth is extremely well placed to do this: regeneration in the regions is our core skillset, something that is at the heart of what we do as a business. We have a long track record of regenerating former brownfield sites successfully, and we understand better than most how to assemble and remediate strategic sites and create sustainable places where people want to live and work. These capabilities are central to our growth to date and our strategy going forward.

Chief Executive's Statement continued

Progress against our strategy

Our strategy, outlined in September 2021, set out a clear road map for our ambition to grow EPRA NDV* from£515.9m at the end of 2020 to £1bn over five to seven years, through:

- increasing direct development of industrial & logistics stock;
- accelerating sales and broadening the range of our residential products;
- scaling up land acquisitions and promotion activities; and
- repositioning our Investment Portfolio to modern Grade A.

We have made a strong start on our strategic ambition. Our EPRA NDV* at 31 December 2021 was £637.5m, a 23.5% increase on 31 Dec 2020 (and a 7.9% increase on 30 June 2021). Net assets increased 18% from £488.7m as at 31 December 2020 to £578.0m as at 31 December 2021.

Our plans are ramping up to increase direct development from c.200,000 sq. ft per annum over the past six years, to 800,000 sq. ft per annum by 2027. During 2021 we delivered and let a 50,800 sq. ft unit at Logistics North and started on site with 432,000 sq. ft in total at Bardon Hill, Leicestershire and the Advanced Manufacturing Park (AMP) in Waverley, South Yorkshire. In early 2022 we expect to begin a further 191,000 sq. ft of development at Gateway 36 in Barnsley, South Yorkshire and the AMP. Also during 2022, we will begin site preparation works for 2.0m sq. ft of development at Wingates in Bolton, Greater Manchester and Chatterley Valley in Staffordshire, and target planning determinations for 2.8m sq. ft at our Skelton Grange and Gascoigne Wood sites in Yorkshire.

In 2021, we delivered a step change in residential plot sales, completing 1,411, a 64% increase on our average annual rate of 862 plots per annum over the past six years, as we start to move towards our strategic target of 2,000 plot sales per annum. Sales were achieved across all three of our regions to a range of different housebuilders, with the largest contributors of plots being our developments in Moss Nook, Merseyside; Simpson Park, Nottinghamshire; and South East Coalville, Leicestershire. In addition, we secured planning consent to deliver c.1,000 residential plots at our Ironbridge site, and for an additional 500 new homes across a number of smaller sites. Diversifying our product at residential sites is a key component of our strategy, and to that end we recruited James Crow as Head of Mixed Tenure to oversee the development and launch of our first BTR portfolio in 2022.

We take a long-term view of replenishing our landbank, and our strategy targets maintaining a 12-15 year land supply throughout our five year plan period. During 2021, we have been active in acquiring new sites to replenish our portfolio, adding Rothwell in Northamptonshire, which has the potential to deliver up to 1.5m sq. ft of industrial & logistics space, and Staveley in Derbyshire, which is capable of delivering up to 600 new homes.

Our Investment Portfolio continues to deliver robust operational metrics, with 99% of rents due in 2021 now collected, and, as at 31 December 2021, a vacancy rate of 2.7% (31 December 2020: 4.5%) and a WAULT of 11.5 years (31 December 2020: 12.5 years). During the year we completed 696,400 sq. ft of leasing deals, including 267,500 sq. ft of new lettings. The new lettings included: (i) a 149,300 sq. ft unit to complete Phase 2 of the Multiply scheme, triggering further one-off promote fees, amounting to £12m in total, and (ii) a 50,800 sq. ft unit at Logistics North.

Harworth remains well-capitalised and continues to manage its cash flows sustainably. As at 31 December 2021, net debt* was £25.7m (31 December 2020: £71.2m), providing significant headroom and flexibility. To support our growth strategy, since the year-end we have completed on a new five-year £200m facility with a £40m uncommitted accordion. The new facility is provided by NatWest, Santander, and HSBC, a new lender for Harworth.

ESG is a priority for Harworth, and is embedded into the way that we work and the developments we deliver. Harworth prides itself on being a responsible business, and we have continued our work embedding the Harworth Way through our strategy and operations during the year with particular focus on the design and carbon use in operation of the logistics assets that we build.

Throughout the year we have been working with our Board ESG Committee to ensure that the ESG targets and metrics that we set and measure ourselves against going forward are right for Harworth. This has culminated in the identification of eight Focus Impact Areas, centred around the Communities, Planet and People pillars of The Harworth Way. These will inform our ESG approach in the coming years, and we intend to report our progress against them regularly.

Through the work that we undertook in 2021, we have also recognised the need to increase ESG resources in the business, and are delighted that after a short sabbatical, Peter Henry will return to the business as Director of Sustainability, to lead our work in this important area.

People

In my first Chief Executive's Review last year I highlighted the capabilities and resilience of Harworth people and that the culture of the business is apparent in everything that we do. I believe that these characteristics set us apart as a business, and while 2021 has been another challenging year as we have scaled up and have started to implement our strategy, these fundamentals have again shone through.

However, I recognise that it is not just about our growth strategy: change is unsettling for people within any organisation and managing the development of a new strategy and change through video calls is difficult. We have made a great start, but there is still much to do to deliver on the opportunities that we have identified and show the world what we are capable of.

Front and centre of this is ensuring that we have the right level of skills and resources in the business, the right culture, and that we are a great place to work. We have been successful in hiring 16 great people into our business during 2021 to support the delivery of our strategy and I would like to welcome to the senior leadership team:

Andrew Blackshaw as Chief Operating Officer; Jonathan Haigh as Chief Investment Officer; and Haroon Akram as Director of Strategy, Investment and Business Development. It has not just been about new hires though: we have also focussed on the talent within the business, ensuring that there are opportunities for individuals to thrive and develop, and we have made a number of promotions and enabled departmental moves as a result.

During the year, we have reviewed most of our policies, from Diversity and Inclusion through to Maternity, Adoption, Paternity and Shared Parental leave, to ensure that they are at the market leading end of the spectrum, as well as introducing a salary sacrifice car scheme for low or zero emission vehicles. One of the most significant policy changes during the year was the introduction of hybrid working, which enables our people to work more flexibly and underpins our focus on wellbeing and ensuring that they have more choice as to where they work and when they start and finish their day. Another significant change is focused on widening share ownership within the business and from 2022 we are proposing to extend the scale and application of our Restricted Share Plan and Share Incentive Plan, reaching all employees in our business.

At Harworth, how we lead, our behaviours and the culture that we are part of are things that we are immensely proud of, and I am really pleased to highlight that in our recent engagement survey 97% of people said they were proud to work for Harworth, and 93% of people said they would recommend Harworth as a good place to work.

Outlook

Our 2021 results build on our strong performance in 2020 and highlight both the demand for our focus sectors and the resilience of our business model. Our new strategy builds on our existing strengths, capabilities and scale, and unlocks the potential within our strategic landbank, delivering growth and sustainable returns to investors. We have created a clear plan to reach £1bn of EPRA NDV* over five to seven years. Our focus is now fully on the execution of the strategy, but I am acutely aware that, for a strategic land business, it is a marathon, not a sprint, and the flying start presented by our 2021 results will moderate as we move through the cycle – some of our sites take in excess of a decade to assemble and deliver. My focus is on ensuring that, as we work through our plans, the team has the skills and resources to deliver consistently and successfully, sustainably growing the business and delivering returns through the cycle.

The early months of 2022 have been extraordinary. Against the backdrop of continued strong demand for our products we are seeing rising inflation and interest rates in the UK, and a war in Europe, which has potentially wide-reaching implications in the near term for Western European economies, particular in our energy and some core commodity markets. Our core markets are currently performing well, but are not immune to global supply issues, or any downturn in the economy driven by a combination of global and UK economic factors. Government policy remains focused on driving up regional investment and growth and delivering a more equal balance of economic outcomes and opportunities for UK citizens.

Looking forward, overall commercial property returns are expected to be lower in 2022. The industrial sector is still expected to continue to perform well, driven by a huge weight of capital seeking access occupiers chasing finite available stock, causing record low void rates. The shortage in supply of new homes seen in 2021 pushed prices higher and this has continued into 2022. Order books and demand for developable land from housebuilders, and rental product from investors, are robust, with prices rising ahead of inflation and cost increases, and the end of the stamp duty holiday having remarkably little impact on buyer demand. The sector does however face some headwinds as interest rates rise, the cladding repair crisis remains unresolved and the sector digests the changes to Building Regulations and the Future Homes Standards pathway.

We remain a resilient, well capitalised, through-the-cycle business and we have made a great start as we step into the delivery of our strategy, doing what Harworth does best – creating sustainable places where people want to live and work.

What Harworth does in the regions and how we do it matters. I believe that Harworth has both a track record of delivery and a deep understanding of what it takes to successfully deliver large scale regeneration and that we can, therefore, play a key role in helping local and central Government to deliver on their core agendas on housing, levelling up and the green economy.

Conclusion

I have had a very enjoyable first year as Chief Executive of Harworth, and this is because of the people in our business. I would like to thank the Harworth team for their hard work and dedication, for delivering an outstanding set of results in 2021, and for stepping up to help to develop and mobilise our new strategy.

I would also like to thank Ian Ball, our former Chief Operating Officer who left the business in January, for the invaluable support that he has provided to me and his service to the business over the last seven years. I also extend a thank you to Nigel Turner, who joined us as Interim Chief Financial Officer to cover Kitty's maternity leave, and to welcome Kitty back into the business.

I am excited by our strategy and extremely proud to lead Harworth and to work with such a talented team.

Lynda M. Shillaw

LYNDA SHILLAW
Chief Executive
21 March 2022

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*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.

Operational Review

Industrial & logistics land portfolio

At 31 December 2021, the industrial & logistics pipeline totalled 28.2m sq. ft (31 December 2020: 27.3m), of which 7.3m sq. ft was consented (31 December 2020: 9.2m sq. ft), and 6.1m sq. ft was in the planning system awaiting determination (31 December 2020: 1.3m sq. ft). At the same date, the pipeline was 76% owned freehold, while 24% related to PPAs or Options.

Acquisitions and land assembly

During the year, completed industrial & logistics land acquisitions totalled £10.6m. A large proportion of this related to the freehold acquisition in November of a 107-acre site in Rothwell, Northamptonshire. Located at Junction 3 of the A14, connecting to the A6, the site has a strong strategic position within the prime Midlands industrial location known as the "Golden Triangle". Harworth will work with local stakeholders, including the newly-formed North Northamptonshire unitary authority, to bring forward a planning application for 1.5m sq. ft of Grade A industrial & logistics space.

The remainder related to land assembly works at Harworth's Ansty strategic land site in Warwickshire. Contracts were exchanged for the conditional sale of the entire site in December 2021.

Planning

During the year, Harworth submitted planning applications for 6.1m sq. ft of industrial & logistics space, including:

- Gascoigne Wood, North Yorkshire: This 185-acre former colliery site benefits from an existing rail connection and close proximity to the A1(M) and M62. Revised plans have been submitted for 2.0m sq. ft of rail-linked industrial & logistics space at the site.
- Skelton Grange, Leeds, West Yorkshire: Formerly the location of Skelton Grange Power Station, this 50-acre site was acquired by Harworth in 2014 and is adjacent to Junction 45 of the M1, to the south-east of Leeds city centre. Plans have been submitted for 800,000 sq. ft of space across five units, in addition to infrastructure upgrades, new cycle ways and footpaths, and ecological enhancements.

Planning was secured by Harworth during the year for 1.3m sq. ft of industrial & logistics space. The majority of this related to the Wingates development site in Bolton, Greater Manchester. In June, planning consent was granted for 1.1m sq. ft of space at the site, which is adjacent to Junction 6 of the M61, in close proximity to Harworth's now-completed Logistics North development.

Direct development

In September, construction commenced at the Bardon Hill site in Leicestershire, which will see the direct development by Harworth of 332,000 sq. ft of logistics and manufacturing space across six units. The development is expected to reach practical completion in the second half of 2022, resulting in a total GDV of between £40m and £50m. Harworth is also currently underway with the delivery of a 100,000 sq. ft facility at the AMP in Waverley, South Yorkshire, on behalf of sportswear manufacturer SBD Apparel.

In May, practical completion was reached on LN50, a 50,800 sq. ft unit at Logistics North, concluding Harworth's eight-year build-out of the development site. LN50 was designed, built and future-proofed to allow it to be Net Zero Carbon in operation, and was let to a manufacturing occupier after the year-end.

Land sales

Harworth completed £18.1m of industrial & logistics land sales during the year, at prices above or in line with 31 December 2020 valuations. The largest disposal was of a 24-acre land parcel at Gateway 36 in Barnsley, South Yorkshire, to Firethorn for £11.6m. The land parcel represents Phase 3 of the development and will be used to develop a BREEAM "Excellent" rated 340,000 sq. ft logistics facility.

At year-end there were two significant land sales on which Harworth had conditionally exchanged contracts:

- Kellingley, North Yorkshire: The sale of the development site was agreed for £54.0m. The transaction will only complete if all sale conditions are satisfied prior to the transaction's long-stop date of 31 August 2022. These conditions include, but are not limited to, the approval of a reserved matters planning application, which is submitted and currently awaiting determination.
- Ansty, Warwickshire: The sale of this strategic land site was agreed for £53.5m. The completion of this transaction is conditional on the granting of a hybrid planning permission, which is to be submitted by Harworth and the purchaser. The planning application is expected to be submitted later this year, with a determination in 2023.

Moss Nook, Merseyside

Residential land portfolio

As at 31 December 2021, the residential pipeline had the potential to deliver 30,804 housing plots (31 December 2020: 30,668), of which 9,978 were consented (31 December 2020: 9,355), and 811 were in the planning system awaiting determination (31 December 2020: 2,536). At the same date, the pipeline was 55% owned freehold, while 45% was subject to PPAs, Options or Overages.

Acquisitions and land assembly

During the year, completed residential land acquisitions totalled £3.8m. The largest purchase was the freehold acquisition in December of a 133-acre brownfield site in Staveley, Derbyshire. The site is located in the Staveley & Rother Valley Corridor, which is allocated to deliver up to 1,500 new dwelling and employment opportunities in Chesterfield Borough Council's Local Plan. We intend to leverage our placemaking skills to deliver 600 homes, alongside new green spaces, a retail hub and other amenities.

Planning

In September, planning was secured for a 1,000-home mixed use development at Ironbridge, Shropshire. The 350-acre former power station site was acquired by Harworth in June 2018. Alongside new homes, the development will deliver up to 0.2m sq. ft of employment space, a retirement village, and a local centre offering convenience retail and other services. Demolition works to remove the power station structures were largely completed by year-end, and enabling works for the first phase of development at the site began in early 2022.

Planning was also secured for up to 500 homes across a number of smaller sites in the portfolio. This included approvals for: up to 250 new homes at a 25-acre site in Awsworth, Nottinghamshire; up to 132 new homes in Little Lever, Bolton, on a former industrial site that was acquired by Harworth in 2020; and up to 118 homes on a site in Birdwell, South Yorkshire.

Plot sales

During the year, completed residential land sales grew significantly to 1,411 plots (2020: 873 plots). Sales were either in line with, or ahead of, 31 December 2020 valuations. Sales were made to a range of different housebuilders across eight sites, including: Moss Nook, Merseyside; Simpson Park, Nottinghamshire; and South East Coalville, Leicestershire. The headline sales prices ranged from £30k to £73k per serviced plot (2020: £37k to £70k).

Operational Review continued

Investment Portfolio

The Investment Portfolio, previously referred to as the Business Space portfolio, mainly comprises industrial & logistics assets that have been directly developed and retained, and standing assets that have been acquired. This portfolio provides recurring rental income in addition to providing asset management opportunities and the potential for capital value growth.

As at 31 December 2021, the Investment Portfolio comprised 18 sites covering 3.7m sq. ft. (31 December 2020: 19 sites covering 3.4m sq. ft). It generated £18.0m of annualised rent (31 December 2020: £15.7m), equating to a gross yield of 6.5% (31 December 2020: 6.8%) and a net initial yield of 5.6% (31 December 2020: 6.1%). Grade A space represented 11% of the portfolio (31 December 2020: 9%).

Acquisitions

In March, Harworth acquired Towngate Business Park, Widnes for £12.7m, reflecting a net initial yield of 7.1% and a reversionary yield of 9.4%. The asset comprises 262,000 sq. ft of fully-let industrial space across nine industrial units, with easy access to the M62. Harworth will leverage its asset management expertise to capture rental reversion at the site and explore infill development opportunities over the medium term.

Asset management

During the year we completed 696,400 sq. ft of leasing deals, including 267,500 sq. ft of new lettings. Lease renewals and regears were completed at terms which, on average, represented a 28% uplift to previous passing rents. New lettings were completed on terms in line with, or ahead of estimated rental values (ERVs). Most of this activity related to two transactions at Logistics North: the letting in June of a 149,300 sq. ft Grade A warehouse as part of Phase 2 of the Company's Multiply Joint Venture (**Multiply**) with the LPPI Real Estate Fund; and the letting of LN50.

In September, Harworth completed the letting of a further plot at Multiply Logistics North, with planning permission for a 131,300 sq. ft industrial unit. The plot represented Phase 3 of Multiply and the completion of the development, triggering significant one-off promote fees.

Across the Investment Portfolio, operational metrics remain strong, with 99% of rents falling due in the year collected, vacancy falling to 2.7% as at 31 December 2021 (31 December 2020: 4.5%), and a sustainable weighted average unexpired lease term ("WAULT") of 11.5 years as at 31 December 2021 (31 December 2020: 12.5 years).

From 2022, Harworth will adjust the calculation of its Investment Portfolio vacancy to align it with the EPRA best practice guidelines, which use the ERV of vacant space rather than sq. ft. Based on this calculation, Investment Portfolio vacancy as at 31 December 2021 was 4.1%.

Sales

Completed Investment Portfolio sales totalled £8.8m during the year, at prices in line with, or ahead of 31 December 2020 valuations, and representing a net initial yield of 5.1%. These disposals were mainly of mature assets where asset management or development initiatives had been completed.

Natural Resources portfolio

The Natural Resources portfolio comprises sites used for a wide range of energy production and extraction purposes, including wind and solar energy schemes, battery storage and methane capture. Sales from this portfolio during the year totalled £13.9m, with sales prices ahead of 31 December 2020 valuations. These sites included the former Harworth Tip in Nottinghamshire, the former Alcan smelter at Lynefield Park, Northumberland and the former North Selby Mine.

Financial Review

> Our 2021 performance was the result of strong operational delivery, good progress towards our strategic objectives, a resilient residential market and buoyant demand for industrial & logistics land and properties.
>
> **Kitty Patmore**
> Chief Financial Officer

Overview

Our Total Return* (the movement in EPRA NDV* plus dividends per share paid in the year expressed as a percentage of opening EPRA NDV per share) for 2021 was 24.6% (2020: 3.0%), our highest annual Total Return to date and a significant increase on 2020, which was especially impacted by Covid-19. Our 2021 performance was the result of strong operational delivery, good progress towards our strategic objectives, a resilient residential market and buoyant demand for industrial & logistics land and properties.

Sales of serviced land and property, in addition to income from rent, royalties and fees, resulted in Group revenue of £109.9m (2020: £70.0m). This increase derived from accelerated serviced land sales in line with our growth strategy as well as some rephasing of serviced land sales during the Covid-19 pandemic. Rent collection remained strong, driven by new acquisitions in 2020 and asset management initiatives. Included within the £109.9m, there were one-off promote fees totalling £12.0m at Multiply Logistics North. Looking forward, the sales profile is robust with 36% of 2022 budgeted sales by value already agreed or exchanged.

BNP Paribas and Savills, our independent valuers, completed a full valuation of our portfolio as at 31 December 2021, resulting in valuation gains* during the year of £148.0m (2020: £15.6m), including the movement in the market value of development properties, in addition to profit on sales of £12.5m (2020: £6.7m). These external independent valuations demonstrate the strength of the industrial & logistics market for both investment properties and development land, as well as continued demand for residential serviced land.

The fair value of investment properties increased by £84.0m (2020: £25.4m), which contributed to an operating profit of £121.9m (2020: £27.8m) and a profit after tax of £94.0m (2020: £25.9m).

Over the year, the net asset value grew to £578.0m (31 December 2020: £488.7m). With EPRA adjustments for development property valuations included, EPRA NDV* at 31 December 2021 was £637.5m (31 December 2020: £515.9m) representing a per share increase of 23.5% to 197.6p (31 December 2020: 160.0p).

The Group has declared a final dividend of 0.845p per share, bringing the total dividend per share for 2021 to 1.212p, representing 10% underlying growth from 2020, in line with our dividend policy.

During 2021, the Group's RCF was increased from £130m to £150m and maturity extended to February 2024. In early 2022, a new five-year £200m RCF was agreed with a £40m uncommitted accordion facility. We welcome HSBC to our lender syndicate alongside existing lenders NatWest and Santander. This new facility provides more flexibility and the additional liquidity will support the delivery of our growth strategy.

Presentation of financial information

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

Our key APMs are:

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

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

Profit excluding value gains* (PEVG) is no longer included as a key APM from 2021 as it forms part of the EPRA NDV* per share and Total Return* key APMs but is a non-material component of these measures. PEVG is defined as property net rental, royalty and fee income, net of running costs of the business (adjusted operating profit): this represents the underlying profitability of the business excluding property value gains or profits from the sales of properties.

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

Income Statement

	2021				2020			
	Capital Growth £m	**Income Generation £m**	**Central Overheads £m**	**Total £m**	Capital Growth £m	Income Generation £m	Central Overheads £m	Total £m
Revenue	**81.1**	**28.8**	**–**	**109.9**	49.6	20.4	–	70.0
Cost of sales	**(53.1)**	**(8.1)**	**–**	**(61.2)**	(56.2)	(3.2)	–	(59.4)
Gross profit/(loss)	**28.0**	**20.7**	**–**	**48.7**	(6.6)	17.2	–	10.6
Administrative expenses	**(3.4)**	**(2.1)**	**(13.7)**	**(19.2)**	(3.1)	(1.9)	(9.6)	(14.5)
Other gains	**57.5**	**35.0**	**–**	**92.5**	12.6	19.1	–	31.7
Other operating expense	**–**	**–**	**(0.1)**	**(0.1)**	–	–	(0.1)	(0.1)
Operating profit/(loss)	**82.2**	**53.5**	**(13.8)**	**121.9**	2.9	34.4	(9.7)	27.8
Share of profit of JVs	**4.5**	**4.7**	**–**	**9.2**	8.0	0.7	–	8.7
Net interest expense	**0.2**	**–**	**(4.1)**	**(3.9)**	0.4	–	(3.5)	(3.1)
Profit/(loss) before tax	**86.9**	**58.2**	**(17.9)**	**127.2**	11.3	35.1	(13.2)	33.4
Tax charge	**–**	**–**	**(33.2)**	**(33.2)**	–	–	(7.5)	(7.5)
Profit/(loss) after tax	**86.9**	**58.2**	**(51.1)**	**94.0**	11.3	35.1	(20.7)	25.9

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

Revenue in the year was £109.9m (2020: £70.0m), of which Capital Growth contributed £81.1m (2020: £49.6m) and Income Generation contributed £28.8m (2020: £20.4m).

Capital Growth revenue, which primarily relates to the sale of development properties, increased reflecting accelerated land sales under the new strategy as well as due to Covid-19, which had a subsequent impact on development programmes and resulted in a catch-up of sales in 2021. Capital Growth revenue also includes a £12.0m promote fee from our now completed Multiply joint venture at Logistics North.

Financial Review continued

Revenue from Income Generation (the Investment Portfolio, previously known as Business Space, and the Natural Resources portfolio) mainly comprises property rental and royalty income. Revenue of £28.8m (2020: £20.4m) was higher as a result of increased rental income from property acquisitions and asset management initiatives which drove rent increases. Rental income from the Investment Portfolio increased on an annualised basis from £15.7m to £18.0m in 2021 following new lettings, re-gears and the acquisition of Towngate Business Park, Widnes.

Cost of sales comprises the inventory cost of development property sales and the direct costs of the Income Generation business. Cost of sales increased to £61.2m (2020: £59.4m) of which £55.1m related to the inventory cost of development property sales (2020: £43.9m). In the year, we saw a reduction in the net realisable value provision on development properties of £5.2m (2020: £10.4m increase) following the valuation process as at 31 December 2021.

Administrative expenses increased in the year by £4.7m. This was due to higher salary expenses, resulting from increased employee numbers, and higher bonus costs for 2021, increased insurance costs following the 2021 insurance renewal driven by changes in the insurance market, and costs incurred as part of the strategy review of the business. Administrative expenses expressed as a percentage of revenue decreased from 21% in 2020 to 17% in 2021 reflecting the acceleration in activity relating to sales of development property as well as the promote fee from the Multiply joint venture at Logistics North.

Other gains comprised an £85.0m (2020: £25.1m) net increase in the fair value of investment properties and assets held for sale (AHFS) plus the profit on sale of investment properties, AHFS and overages of £7.4m (2020: £6.6m).

Joint venture profits of £9.2m (2020: £8.7m) were largely a result of an increase in the value of the Multiply Logistics North site (£4.7m) and Aire Valley Land (£4.5m). Value gains/(losses) on a non-statutory basis are outlined below.

Non-statutory value gains/(losses)

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

£m		**2021**			2020			**2021**	2020
	Categorisation	**Profit on sale**	**Revaluation gains/(losses)**	**Total**	Profit on sale	Revaluation gains/(losses)	Total	**Total valuation**	Total valuation
Capital Growth									
Major Developments	Mixed	**6.6**	**79.4**	**86.0**	0.1	(10.4)	(10.3)	**308.2**	248.1
Strategic Land	Investment	**1.1**	**34.4**	**35.5**	6.1	6.5	12.6	**144.0**	96.2
Income Generation									
Investment Portfolio	Investment	**0.1**	**36.2**	**36.3**	(0.2)	14.8	14.6	**277.5**	227.6
Natural Resources	Investment	**3.5**	**(1.9)**	**1.6**	0.0	5.1	5.1	**30.6**	38.3
Agricultural Land	Investment	**1.2**	**(0.2)**	**1.1**	0.7	(0.4)	0.3	**5.4**	8.0
Total		**12.5**	**148.0**	**160.5**	6.7	15.6	22.3	**765.7**	618.2

Notes: A full description and reconciliation of the APMs is included in Note 2 to the consolidated financial statements. There are some minor differences on some totals due to roundings

Profit on sale of £12.5m (2020: £6.7m) reflected the completion of sales above book value. Non-statutory revaluation gains* were £148.0m (2020: £15.6m) and are outlined in the table below.

	2021 **£m**	2020 £m
Increase in fair value of investment properties	**84.0**	25.4
Increase/(decrease) in value of assets held for sale	**1.1**	(0.3)
Movement in net realisable value provision on development properties	**2.8**	(11.8)
Contribution to statutory operating profit	**87.9**	13.3
Share of profit of joint ventures, net of impairment	**9.2**	8.7
Unrealised gains/(losses) on development properties and overages	**50.9**	(6.4)
Total non-statutory revaluation gains*	**148.0**	15.6

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

- Major Developments: the major contribution came from industrial & logistics development sites with planning permission including the conditional sale at our Kellingley development, alongside robust housebuilder demand for residential sites;
- Strategic Land: increased market appetite, in particular for industrial & logistics sites including the conditional sale of Ansty, as well as planning permission received at our Wingates and Ironbridge sites;
- Investment Portfolio: strong rent collection and good letting progress achieved across our portfolio reducing vacancy with increased demand for industrial & logistics properties;
- Natural Resources: valuations remained broadly consistent with minor valuation decline in the waste and recycling portfolio; and
- Agricultural Land: profits achieved on sales

The net realisable value provision on development properties as at 31 December 2021 was £12.2m (31 December 2020: £17.3m). This provision is held to reduce the value of six development properties from their deemed cost (the fair value at which they were transferred from an investment to a development categorisation) to their net realisable value at 31 December 2021. The transfer from Investment to development property takes place once planning is secured and development with a view to sale has commenced.

Cash and sales

The Group made property sales in the year of £108.3m (2020: £75.8m), achieving a total profit on sale of £12.5m (2020: £6.7m). Sales comprised residential plot sales of £64.9m (2020: £44.4m), industrial & logistics land sales of £18.1m (2020: £15.4m) and sales of other, mainly mature, income-generating sites and agricultural land, of £25.3m (2020: £16.0m)

Cash proceeds from sales in the period were £114.5m (2020: £83.8m) as shown in the table below:

	2021 **£m**	2020 £m
Total property sales[1]	**108.3**	75.8
Less deferred consideration on sales in the year	**(27.4)**	(21.6)
Add receipt of deferred consideration from sales in prior years	**33.6**	29.6
Total cash proceeds	**114.5**	83.8

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

Tax

The income statement charge for taxation for the period was £33.2m (2020: £7.5m) which comprised a current year tax charge of £6.4m (2020: £0.4m credit) and a deferred tax charge of £26.8m (2020: £7.9m).

The current tax charge resulted primarily from profits from the sale of development properties, investment property, AHFS and PEVG.

The increase in deferred tax largely relates to unrealised gains on investment properties. In addition, the March 2021 Budget announced a further increase to the main rate of corporation tax to 25% effective from April 2023. This increase was substantively enacted on 24 May 2021. As such, the deferred tax balance has been calculated using either 19% or 25%, dependent on the rate expected to apply on the date the liability is reversed. The deferred tax movement resulting from the impact of the tax rate change was £10.7m.

At 31 December 2021, the Group had deferred tax liabilities of £46.9m (31 December 2020: £23.1m) and deferred tax assets of £4.3m (31 December 2020: £7.3m). The net deferred tax liability was £42.6m (31 December2020: £15.8m).

Financial Review continued

Basic earnings per share and dividends

Basic earnings per share for the year increased to 29.1p (2020: 8.0p) reflecting the increase in the valuation of the land and property portfolio as at 31 December 2021.

In addition to the interim dividend of 0.367p, the Board has determined that it is appropriate for a final dividend of 0.845p (2020: 1.466p) per share to be paid, bringing the total dividend for the year to 1.212p (2020: 1.800p) per share. The 2020 final dividend was increased to reflect the cancelled final 2019 dividend excluding which, the 2020 dividends totalled 1.102p per share. Given this, the recommended 2021 final dividend and 2021 total dividend represent a 10% increase in line with our dividend policy. There is no change to the current dividend policy to continue to grow dividends by 10% each year.

Property categorisation

Until sites receive planning permission and their future use has been determined, our view is that the land is held for a currently undetermined future use and should therefore be held as investment property. We categorise properties and land that have received planning permission, and where development with a view to sale has commenced, as development properties.

As at 31 December 2021, the balance sheet value of all our development properties was £172.7m (2020: £177.7m) and their independent valuation by BNP Paribas was £245.2m, reflecting a £72.5m cumulative uplift in value since they were classified as development properties. In order to highlight the market value of development properties, and overages, and to be consistent with how we state our investment properties, we use EPRA NDV*, which includes the market value of development properties and overages less notional deferred tax, as our primary net assets metric.

Net asset value

	31 Dec 2021 £m	31 Dec 2020 £m
Properties[1]	**689.8**	584.5
Cash	**12.0**	12.7
Trade and other receivables	**55.1**	56.4
Other assets	**5.3**	5.4
Total assets	**762.2**	659.0
Gross borrowings	**37.8**	83.9
Deferred tax liability	**42.6**	15.8
Derivative financial instruments	**0.2**	0.8
Other liabilities	**103.6**	69.8
Statutory net assets	**578.0**	488.7
Mark to market value adjustment on development properties and overages less notional deferred tax[2]	**59.5**	27.2
EPRA NDV[2]	**637.5**	515.9
Number of shares in issue less Employee Benefit Trust & YBS[3] held shares	**322,539,284**	322,410,320
EPRA NDV per share[2]	**197.6p**	160.0p

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

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

[3] Yorkshire Building Society

EPRA NDV* at 31 December 2021 was £637.5m (31 December 2020: £515.9m) which includes the mark to market adjustment on the value of the development properties and overages. The total portfolio value as at 31 December 2021 was £765.7m, an increase of £147.5m from 31 December 2020 (£618.2m).

The Group's share of profit from joint ventures resulted in investments in joint ventures increasing to £36.1m (31 December 2020: £25.3m).

Trade and other receivables include deferred consideration on sales as set out above. At 31 December 2021, deferred consideration of £27.4m (31 December 2020: £33.5m) was outstanding, of which 84% is due within one year.

Advanced Manufacturing Park, Rotherham

The table below sets out our top ten sites by value, which represent 44% of our total portfolio, showing the total acres for each site and split according to their categorisation, including currently consented residential plots and commercial space:

Site	Site type	Categorisation in balance sheet	Region	Progress to date
South East Coalville	Major Development	Development	Midlands	2,016 residential units consented, land sold representing 679 units
Nufarm	Investment Portfolio	Investment	Yorkshire & Central	–
Kellingley[1]	Major Development	Development	Yorkshire & Central	1.4m sq. ft of industrial & logistics space consented, less than 0.1m sq. ft sold
Waverley	Major Development	Development	Yorkshire & Central	3,890 residential units consented, land sold representing 1,886 units
Waverley AMP	Investment Portfolio	Investment	Yorkshire & Central	2.1m sq. ft of industrial & logistics space consented, 1.6m built or sold
Knowsley	Investment Portfolio	Investment	North West	–
Ansty[1]	Strategic Land	Investment	Midlands	Proposed industrial & logistics site, planning not yet submitted
Ironbridge	Major Development	Investment	Midlands	1,000 residential units consented, enabling works commenced
Four Oaks Business Park	Investment Portfolio	Investment	North West	–
Pheasant Hill Park	Major Development	Development	Yorkshire & Central	1,200 residential units consented, land sold representing 540 units

(1) Contracts had been conditionally exchanged for the sale of the site at year-end

Financing strategy

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

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

The Group intends to continue to enter into site-specific development and infrastructure loans alongside the main banking facilities to support its growth strategy.

Financial Review continued

Debt facilities

An RCF (the **Original RCF**) with NatWest and Santander has been in place since 2015. During 2021, this Original RCF was increased from £130m to £150m in support of the strategy set out in the Group's interim results in September 2021 and expiry date extended to February 2024. Since the 2021 year-end, we have entered into a new five year £200m RCF (the **New RCF**), with a £40m uncommitted accordion option, which replaces the Original RCF. NatWest and Santander continue to support us in the New RCF and we welcome HSBC to our banking group. The New RCF is aligned to the Group's strategy and provides significant additional liquidity and flexibility to enable it to pursue its strategic objectives. The interest rate of the New RCF is on an LTV ratchet mechanism with a margin payable above SONIA in the range of 2.25% to 2.50%.

As part of its funding structure, the Group also uses infrastructure financing provided by public bodies and site-specific direct development loans to promote the development of major sites and bring forwards the development of logistics units. Consistent with this, during the year the Group signed three new facilities totalling £37.6m to fund the development of logistics units at Bardon Hill, Leicestershire (£23.5m), Gateway 36 in Barnsley (£7.5m) and the AMP at Waverley, South Yorkshire (£6.6m).

The Group had borrowings and loans of £37.8m at 31 December 2021 (2020: £83.9m), being the Original RCF drawn balance (net of capitalised loan fees) of £33.3m (2020: £79.7m) and infrastructure or direct development loans (net of capitalised loan fees) of £4.5m (2020: £4.2m). The Group's cash balances at 31 December 2021 were £12.0m (2020: £12.7m). The resulting net debt was £25.7m (2020: £71.2m).

Net debt* decreased with the completion of serviced land and property sales. The movements in net debt over the year are shown below:

	2021	2020
	£m	£m
Opening net debt as at 1 January	**71.2**	70.9
Cash inflow from operations	**(57.0)**	(25.8)
Property expenditure and acquisitions	**41.0**	56.1
Disposal of investment property, AHFS and overages	**(44.5)**	(27.7)
Investments in and distributions from joint ventures	**1.6**	(8.6)
Interest and loan arrangement fees	**4.6**	3.4
Dividends paid	**5.9**	1.1
Tax paid	**3.6**	2.1
Other cash and non-cash movements	**(0.7)**	(0.4)
Closing net debt as at 31 December	**25.7**	71.2

The weighted average cost of debt, using an end of month average 2021 balance and 31 December 2021 rates, was 2.90% with a 0.9% non-utilisation fee on undrawn RCF amounts (2020: 2.70% with a 0.9% non-utilisation fee).

From 2022, the Group's hedging strategy to manage its exposure to interest rate risk will be to hedge the lower of around half its average debt during the year or its net debt balance at year end. At 31 December 2021 the Group had a £45m fixed rate interest swap (maturing in 2022) 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. With the completion of the New RCF in early 2022, the fixed rate interest swap was terminated concurrently. New hedging will be put in place over 2022.

As at 31 December 2021, the Group's gross loan to portfolio value was 4.9% (31 December 2020: 13.6%) and net loan to portfolio value was 3.4% (31 Dec 2020: 11.5%). If gearing is assessed against the value of the core income portfolio (the Investment Portfolio and Natural Resources portfolio) only, this equates to a gross loan to core income portfolio value of 13.0% (31 December 2020: 33.8%) and a net loan to core income portfolio value of 8.9% (31 December 2020: 28.7%). Under the New RCF, the Group could withstand a material fall in portfolio value, property sales or rental income before reaching covenant levels.

At 31 December 2021, undrawn facilities under the Original RCF were £116.0m. Going forwards, the New RCF provides additional liquidity of £50m and headroom to execute our growth strategy.

KITTY PATMORE
Chief Financial Officer
21 March 2022

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

Long-term Viability Statement

Viability period and rationale

The Directors have assessed the prospects of the Group and its principal risks over a longer period than the period required by the Going Concern Statement (see the Statement of Directors' Responsibilities at pages 154 to 155.

The Board conducted a review for a period of five years ending 31 December 2026. This period was selected for the following reasons:

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

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

Resilience of business model

The Group's strategy focusses on continued growth through increasing direct development of industrial & logistics buildings, accelerating land and property sales, broadening the range of residential products, growing our strategic land portfolio and repositioning our Investment Portfolio to modern Grade A. When repositioned, the Investment Portfolio will continue to provide a diversified portfolio of income producing assets for the Group to support coverage of operating and financing costs. This enables the Group to create value in modern industrial and logistics buildings while supporting the transition to Net Zero. 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.

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

- sales of residential and commercial serviced land, for which there are plans reaching out to 2026;
- rental income from income-producing industrial properties which, at 31 December 2021, had a vacancy rate of 2.7%, a WAULT of 11.5 years and a rent collection of 99%; and
- development and investment management, planning promotion and investment fees.

This balance in the portfolio means that regular income from the income-producing portfolio with low vacancy rates will help to support cost coverage. The income-producing properties within the industrial and natural resources sectors have a diverse range of tenants. The land and property portfolio is spread across all stages of our business model which gives the opportunity, if required, to advance sites at an earlier stage (master-planning and planning promotion). The residential market has a fundamental insufficient supply of housing and has seen robust demand throughout 2021. Having teams in Yorkshire, the Midlands and the North West balances the exposure to any one region.

Net debt at year end of £25.7m represented a 3.4% net loan to portfolio value. The Group entered into a new £200m five-year RCF in early 2022, adding HSBC to the Group's main lenders in addition to NatWest and Santander; this new facility provides greater firepower and flexibility with which to execute on the Group's strategy.

Principal risks and uncertainties

Reporting on the Group's viability requires the Directors to consider those principal risks that could impair the solvency and liquidity of the Group. Over the last 12 months, the Board has identified a refreshed set of eleven principal risks and uncertainties, informed by the Group's strategy. Of these, 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, Project Delivery, Finance, Climate Change and People sub-categories of risk identified in the Effectively managing our risks section of this Report on pages 71 to 77.

Long-term Viability Statement continued

Assessment of long-term prospects and sensitivities applied

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

The key risks and the scenarios considered as part of the sensitivity analysis are set out below. Throughout the strategic plan, the Group expects to continue to transform land and property into sustainable places where people want to live and work. We have considered a severe but plausible downside case under which the Group is still viable and over the five-year period. Consideration has also been given to the impact of the Russian invasion of Ukraine which, while not directly impacting the activities of the Group, has the potential to impact through changes in the wider macro-economic environment. Whilst under the sensitivity analysis, EPRA NDV* growth plus dividends could be impacted temporarily, the long-term business model is expected to continue to deliver the Group's Purpose in a sustainable manner.

*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

Risk	Scenario	Mitigation & Further Analysis
Markets: Residential and Commercial Markets	• Downturn in industrial & logistics and/or residential market conditions could lead to a fall in property values or reduced sales • Notwithstanding strong rent collection throughout the last two years, an economic downturn could impact on some tenants' ability to pay rent and lead to loss of rent or restructuring of rental payments • As a result, expenditure on new land and property acquisitions could be restricted	• The portfolio provides a spread of sites across the 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 • Pursuant to our strategy we are working to take full advantage of current market conditions and mitigate a potential downturn by accelerating residential sales, introducing new products at our residential sites, repositioning our Investment Portfolio to modern Grade A and increasing the quantum and speed of direct development • The Group works closely with tenants in the Investment Portfolio on payment terms that support both parties to continue to actively manage rent collection • Development expenditure can be reduced and rephased to match more closely market demand and conserve cash
Finance: Availability of appropriate capital	• A market downturn reducing sales volumes would lower income • Short term downward valuation movement and lower income receipts could be experienced which would reduce headroom under the financial covenants in the RCF • Higher interest rates would reduce headroom in interest cover covenants • Inability to access appropriate equity and/or debt funding to support the strategy	• At year end, the Group had low gearing, good liquidity with debt headroom and cash resources providing sufficient financial flexibility to continue to operate across its sites. Headroom on financial covenants is projected throughout the five-year period • We have entered into a new RCF with a resulting £50m increase to £200m. There are now no major refinancing deadlines ahead of when the RCF expires in 2027 • The RCF is supplemented by accessing project specific funding where relevant. We continue to pursue and unlock grant funding • The Group uses financial instruments to mitigate the risk of interest rate increases, typically hedging half the average drawn RCF balance throughout the year • Reduced activity on sites as set out above would reduce development expenditure and conserve cash resources

Risk	Scenario	Mitigation & Further Analysis
Climate change: Managing Climate change transition	• Failure to manage transitional risks associated with climate change covering both operational activity and reporting • Impact of climate change on our sites, slowing development programmes and reducing sales	• We have established an ESG Board Committee (see pages 118 to 119) and ESG Steering Group • External consultants have been appointed to advise on ESG strategy formulation, implementation and reporting • We are making progress in capturing relevant environmental and social data and we have identified our Net Zero Carbon pathway • We have run initial analysis looking at the impact of climate change such as flooding, on our sites
Other risks including Project Delivery and People	• Planning promotion risk including uncertainty around local and national changes to planning regime with potential for adverse effect on promotion activity, progress on sites and EPRA NDV growth • Supply chain pricing pressures and constraints resulting in development cost increases and delays and/or default by and/or insolvency of counterparties • Legislative reforms which have the effect of levying an additional cost on development • Insufficient and/or inappropriate resources, resulting in increased staff costs	• Strong relationships with local planning authorities and key local stakeholders, supplemented by local political advisers where appropriate • The potential impact of planning reforms is modelled in project appraisals ahead of acquisition • We undertake rigorous tender processes and utilise market intelligence regarding contractors' commitments and workload • Our central technical team monitors contractor "concentration risk" and promotes consistencies and knowledge-sharing across our portfolio • There are high levels of employee satisfaction within the business as reported on page 63

Viability assessment

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

Section 172 Statement

In this section, we identify our key stakeholders and explain how we have engaged with them and had regard to their interests when making strategic and significant operational decisions during 2021.

Whilst the Board recognises its statutory obligation to do so under s.172(1) of the Companies Act 2006, its engagement and collaboration with stakeholders are not merely a matter of statutory compliance: doing so effectively is key to delivering against our Purpose and our commercial success. As we are constantly interacting with a wide range of stakeholders, the reporting of stakeholder impact has been embedded into Board project appraisals. Transaction templates presented to the Board focus discussion on: how each project supports the delivery of 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. The Board having regard to these matters in its discussions and decision making is fundamental to creating sustainable places where people want to live and work. Further detail on how the Board has had regard to the interests of stakeholders is in the Statement of Corporate Governance on pages 86 to 100.

Our People

Why we engage	How we engage
The people at Harworth are key to the success of the Company. It is their skills, experience and hard work that allow us to create high quality sustainable places where people want to live and work.	The Board engages with staff directly through various formats, including employee lunches, site visits, regional team dinners, office visits and the Employee AGM. Due to restrictions imposed by Covid-19 during 2021, some of the above events were held virtually. See more on page 88.
Their key interests	How do we respond? Examples of actions taken
To work on market-leading projects with pride and enjoyment. To work in, and contribute to, an innovative and collaborative culture. To be supported in their career and personal development, appropriately rewarded and recognised for their contribution. A sustainable work-life balance. To have their views heard and taken into account in decision making.	We have developed a people strategy to support our business strategy, which promotes both the development and career progression of our existing employees and, where necessary, the recruitment of new and additional skills. We have introduced physical and mental wellbeing initiatives, such as a new hybrid working policy. We have made employment policy changes such as improvements to our maternity, adoption, and paternity leave and pay provision.

Investors

Why we engage	How we engage
To explain our performance and strategy to, and understand the views of, existing and prospective shareholders. Without the long-term support of our shareholders, our business and the delivery of our Purpose are not sustainable.	We provide business updates regularly via trading statements and regulatory releases on key transactions. Management meets regularly with existing and prospective investors. The Chair also meets regularly with our largest shareholders. Two of our Non-Executive Directors, Martyn Bowes and Steven Underwood, are conduits for engagement with two of our largest shareholders.
Their key interests	**How do we respond? Examples of actions taken**
Long-term and sustainable returns and a business which delivers a positive environmental and societal impact.	We commissioned an investor perception study to support the strategy review undertaken in 2021 and identified actions to respond to investor feedback. In response to feedback from existing and prospective investors, we have further enhanced our financial and operational disclosures and held a number of site visits, subject to the constraints imposed by Covid-19. We engaged with, and took account of the views of, our largest shareholders when formulating our revised Remuneration Policy.

Communities

Why we engage	How we engage
By creating places where people want to live and work, we create thriving communities and make a positive and sustainable contribution to local areas.	Consultation and collaborative working with the local communities where we are transforming sites are fundamental components of a successful project. These include early and ongoing engagement with the public on all planning applications; liaison with key community groups as developments mature; and careful management of the shared public open space on our sites often in collaboration with local residents.
Their key interests	**How do we respond? Examples of actions taken**
Sustainable places where people want to live and work. Each site is unique but will include housing with a high design specification; supporting infrastructure which has been carefully designed, delivered and "future proofed"; skilled employment; thoughtfully constructed blue and green spaces which have a positive ecological impact and promote wellbeing; education provision; and comprehensive local amenities.	Consideration of the placemaking proposals for, and the impact on local communities of, each project are key components of our appraisals. By way of example, we hope that our acquisition of land at Staveley will deliver circa 600 homes, significant blue and green space and a retail hub. It is part of a wider scheme which should transform the site of a former steelworks and chemical facility to deliver housing, employment and leisure facilities.

Section 172 Statement continued

Suppliers

Why we engage	How we engage
The successful delivery of our sites depends on strong relationships with suppliers who are professional, trusted and share our values.	We apply a consistent "take-on" approval process for all suppliers. Whilst we operate a long list of approved suppliers, we usually engage small groups of trusted consultants and contractors on a repeat basis, fostering strong relationships.
Their key interests	**How do we respond? Examples of actions taken**
A long-term partnership with Harworth in which they are treated fairly and receive timely payment.	We commissioned a stakeholder perception study, which included feedback from suppliers. We have identified actions to respond to that feedback. During 2022, we are exploring how we improve our procurement processes, both at a corporate and project level.

Funders

Why we engage	How we engage
We need external capital to fund the Group's activities, long-term projects and efficient growth.	In 2021 we engaged extensively with existing and prospective funders ahead of the refinancing of our senior debt facility. We completed that refinancing in Q1 2022 and welcome HSBC to our group of senior lenders, alongside NatWest and Santander. In the ordinary course, we schedule relationship meetings with our senior lenders every six months but have a regular dialogue with them throughout the year.
Their key interests	**How do we respond? Examples of actions taken**
An open dialogue with regular updates and assurances about our operational and financial performance together with delivery against all our contractual obligations.	Our positive relationship with NatWest and Santander supported a successful increase to and extension of our senior debt facility in November 2021. We subsequently worked with both lenders and HSBC to agree and put in place a new £200m senior debt facility in Q1 2022.

The Board having regard to stakeholder interests is fundamental to creating sustainable places where people want to live and work

Customers

Why we engage	How we engage
As a master developer, we want to ensure there is long-term demand for our land. Our principal customers are housebuilders, commercial developers and occupiers.	Engagement with housebuilders and commercial developers is predominantly transactional, although we maintain regular contact outside of deal cycles to understand their needs and appetite for more land and development opportunities. We engage proactively with commercial occupiers to identify pre-let demands. Typically, day-to-day engagement with our existing tenants is via our managing agents who help identify where direct involvement and engagement from our investment team is needed.

Their key interests	How do we respond? Examples of actions taken
A collaborative and reciprocal relationship with Harworth in which they trust us to deliver a high-quality product on time and, for our tenants, a longer-term relationship in which they are treated fairly and their operational needs are understood.	Following a challenging 2021 insurance renewal process, we engaged proactively with tenants to explain why pressure in the market had caused insurance premiums to increase markedly. Ahead of the 2022 insurance renewal process, we worked with tenants to improve our data on their operational activities and security measures, helping to contribute to a material reduction in premiums. The stakeholder perception study we commissioned to support the business strategy review included feedback from occupiers and housebuilders. We have identified actions to respond to that feedback.

Government

Why we engage	How we engage
Harworth has an important part to play in supporting some Government priorities over the coming years, both at a national and regional level, including in the areas of climate change, levelling up, and addressing the housing shortage.	We participate in central Government consultation exercises on policy proposals both on our own account and through industry bodies such as the British Property Federation. We also engage informally on national initiatives such as the levelling up agenda, HS2 and site-specific matters. We engage with local Government and Local Enterprise Partnerships (LEP) when working collaboratively with officers and members from local planning authorities ahead of planning application submissions and on the discharge of planning conditions; bidding for grant or loan monies from local authorities and LEPs for infrastructure investment; and promotion of long-term strategic land projects with local authorities.

Their key interests	How do we respond? Examples of actions taken
Environmental and societal priorities, both national and local, the achievement of which we can help support.	Housing shortages within local planning authorities and central and local Government priorities for infrastructure investment continue to be important factors which inform our project appraisals. The Government's plans for high-speed rail to the North-East of Birmingham are a determinative factor in the delivery of our Gateway 45 and Lounge sites.

The Harworth Way

Our Focus Impact Areas

Our Focus Impact Areas are centred around the three impact pillars of the Harworth Way: Communities, Planet and People. They represent areas where we feel that Harworth can make the most societal and environmental impact as a business, and provide a framework for us to measure our progress against over the short, medium and long term. These objectives are also aligned to our principle UN SDGs.

Communities

Delivering homes, supporting jobs and creating communities

Through our regeneration and placemaking activities across the North and the Midlands, we revitalise areas which have historically been impacted by industrial and economic decline. Our residential developments deliver a mix of tenures and different levels of affordability.

Progress to date

Since 2011, Harworth's pipeline has supported the delivery of over 3,500 housing plots and over 12,000 new jobs, including many that are high-skill, for example at the AMP. We have also delivered community infrastructure, including a primary school at Waverley. Our industrial & logistics landbank could support over 72,000 jobs, and our portfolio overall has the potential to deliver £4.1m of GVA into local economies.

Plans for 2022

- Our Bardon Hill scheme to support approximately 530 new jobs once completed
- Olive Lane at Waverley to provide amenities including a supermarket, restaurants, a gym and working space
- Planning to be submitted for two schools, at South East Coalville and Thoresby Vale

By 2030	By 2040
Incremental progress reported annually	

Principle UN SDG link

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

11 SUSTAINABLE CITIES AND COMMUNITIES

Communities

Promoting healthy lifestyles and wellbeing

We recognise that communities need varied and high-quality infrastructure to thrive. Our masterplans consider the health and wellbeing of residents and those working at our sites, and provide facilities to promote healthier, greener lifestyles and wellbeing.

Progress to date

We have delivered over 900 acres of accessible green space across our developments. This includes footpaths, cycle ways and other infrastructure to encourage mental and physical wellbeing. During 2021 we submitted plans for innovative cycling infrastructure projects at Waverley and Thoresby Vale, including a regionally significant cycle hub.

Plans for 2022

- Cycling infrastructure at Waverley and Thoresby Vale to be delivered
- Plans to be submitted for new football pitches at Moss Nook
- Additional cycle and footpath infrastructure to be provided across a number of sites

By 2030	By 2040
Incremental progress reported annually	

Principle UN SDG link

3 GOOD HEALTH AND WELL-BEING

11 SUSTAINABLE CITIES AND COMMUNITIES

Planet

Increasing biodiversity

Biodiversity brings significant benefits not just to wildlife and ecosystems, but also to communities through increased amenity value and climate resilience. Promoting and protecting biodiversity at our sites is therefore a key priority.

Progress to date

Across our portfolio we have delivered hundreds of acres of green space, rewilded land, undertaken SSSI conservation work, and planted thousands of trees. In 2021, at our Ironbridge site alone we installed six great crested newt ponds, a bat barn and moth habitat, and a 21 metre-tall nesting tower for peregrine falcons.

Plans for 2022

During 2022 we will identify a series of metrics that we will use to report on the biodiversity initiatives and actions we take.

By 2030	By 2040
Detailed targets to be informed by the work undertaken in 2022	

Principle UN SDG link

11 SUSTAINABLE CITIES AND COMMUNITIES

Planet

Reducing CO_2 emissions

Working with our partners, Harworth is committed to becoming a Net Zero Carbon business. We believe this will unlock new opportunities, minimise our environmental impact and build our climate resilience.

Progress to date

In recent years we have implemented several measures to reduce our energy usage, improve the energy efficiency of our assets and increase opportunities for on-site renewable energy generation. Further details can be found on pages 56 to 59.

Plans for 2022

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

By 2030	By 2040
Net Zero Carbon for Scope 1 & Scope 2 emissions, and those Scope 3 emissions relating to business travel and employee commuting	Net Zero Carbon for all emissions

Principle UN SDG link

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

The Harworth Way continued

Our Focus Impact Areas continued

Planet

Building greener

The buildings that we develop today are capable of being Net Zero Carbon in operation and built to EPC rating A. We are committed to going much further than this and have the ambition that over time all of our industrial & logistics developments will be Net Zero Carbon.

Progress to date

All buildings completed by Harworth in 2021 and 2020 were built to BREEAM "Very Good" standard and EPC rating A. In 2021 we completed our first building that is capable of being Net Zero Carbon in operation, LN50.

Plans for 2022

- All new industrial & logistics developments will be EPC A rated and capable of being Net Zero Carbon in operation
- All new occupiers to be offered green leases

By 2030	By 2040
All new industrial & logistics developments to be Net Zero Carbon in construction and operation. All investment portfolio assets to have green leases (or equivalent), where contracts permit	All industrial & logistics developments will be Net Zero Carbon

Principle UN SDG link

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Planet

Developing responsibly

As a responsible developer, we take great care to ensure that in remediating sites we clean, reuse and decontaminate materials as well as incorporating low carbon infrastructure into existing and future sites.

Progress to date

At a site level, we have reused materials where possible, and taken steps to reduce energy consumption and waste. We have also continued our Investment Portfolio EPC upgrade programme and have recently installed solar panels on the roof of our head office, Advantage House.

Plans for 2022

- All new masterplans will incorporate renewable energy infrastructure. We will also explore retrofitting options where possible
- Develop metrics for measuring and enabling us to report more fully the impacts of our activities

By 2030	By 2040
Reporting and targets to be informed by the work undertaken in 2022.	

Principle UN SDG link

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

People

Engaging our people

Harworth's ambition is to be the employer of choice, providing an inspiring place to work and attracting and retaining the best talent. Critical to our success is the engagement, wellbeing and diversity of our people.

Progress to date

In 2021, 97% of respondents to our employee engagement survey said that they were proud to work Harworth. We revised our maternity, paternity, and adoption leave policies to ensure that they are market leading, and introduced a hybrid working policy.

Plans for 2022

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

By 2030	By 2040
Incremental progress reported annually	

Principle UN SDG link

3 GOOD HEALTH AND WELL-BEING
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES

People

Prioritising health & safety

The health and wellbeing of our people, our contractors, our communities is of paramount importance. We actively manage the risks on all our sites. This includes physical inspections, monitoring of accidents, incidents, near hits and good practice, claims and work-related absences.

Progress to date

There were no accidents involving Harworth personnel during the year. There was one minor accident involving a contractor under Harworth supervision. There was one RIDDOR accident on an area of our site for which our contractor had responsibility for health & safety, but there were no other accidents on contractor-controlled areas. More details are provided on page 62.

Plans for 2022

- We will aim for zero RIDDOR-reportable accidents on Harworth sites

By 2030	By 2040
Zero RIDDOR-reportable accidents on Harworth sites	

Principle UN SDG link

3 GOOD HEALTH AND WELL-BEING
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES

The Harworth Way continued

Communities

As a long-term custodian of land, we create, strengthen and support our communities now and for future generations. Harworth delivers some of the largest industrial & logistics and residential sites in the North of England and the Midlands, creating sustainable places where people want to live and work.

3 GOOD HEALTH AND WELL-BEING
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Delivering homes, supporting jobs, and growing economies

Harworth has delivered significant economic and social benefits across its broad range of development sites in Yorkshire & Central, the Midlands, and the North West. The development of these sites has the potential to deliver significant economic benefits for these regions, contributing to local authority and LEP strategic objectives and delivering on the UK Government's aim of levelling up the economy.

As in previous years, we have commissioned Ekosgen, an independent economic research consultancy, to appraise what we have delivered, and what we could deliver in the future, from our developments. The data focuses on job creation, housing development, and the potential Gross Value Add (GVA) of each site. Some of the highlights of its findings were:

- Harworth sites are spread across 15 LEP areas and 39 local authority areas, benefiting a large proportion of the Midlands and the North of England.
- When fully built out, Harworth's industrial & logistics portfolio has the potential to accommodate over 72,000 jobs, generating £4.1bn of GVA per annum, as well as significant levels of business rates income.
- Harworth's residential portfolio has the potential to generate up to £55 million per annum in council tax receipts.
- Over half of the potential jobs supported by Harworth's current pipeline are concentrated in three regions: Sheffield City Region, Leeds City Region, and Greater Manchester, with Harworth set to support over 12,000 jobs in each.

Harworth is investing and delivering development in some of the most deprived parts of the UK, where levels of economic growth and investment have typically been below average. The table below shows the proportion of new jobs being supported through Harworth's existing developments and pipeline within the most deprived areas of England. It shows that almost three-quarters of the jobs to be supported are in the 50% most deprived areas of the UK, providing a significant economic boost to these communities.

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

Area deprivation Decile	Cumulative % of jobs supported by Harworth pipeline
10% most deprived	18%
20% most deprived	19%
30% most deprived	34%
40% most deprived	44%
50% most deprived	72%
Remaining 50% of areas in England	28%
Total	100%


NIKE

The Harworth Way continued

Communities continued

Promoting healthier lifestyles

Cycling has a number of benefits, including improving personal health and wellbeing, reducing congestion and pollution, and making our communities more attractive places to live in.

Harworth developments have long provided cycling facilities for residents and workers. For example, our now completed Logistics North development includes 18km of footpaths and cycle paths on-site, connecting to local and national traffic-free cycling routes.

During the year, Harworth worked with local groups and Places to Ride, a partnership between British Cycling, the Department for Digital, Culture Media & Sport and Sports England, to bring forward two innovative cycle infrastructure projects at its Thoresby Vale and Waverley developments.

At Thoresby Vale, the funding will be used to deliver a multi-use cycling facility at the heart of the scheme, which will include a "Learn to Ride" area and a modular cycling hub, which will host a café and other amenities. The new facility will connect to the various multi-use paths proposed for the site's country park, and enhance existing cycle path infrastructure in the area, providing direct links to the nearby communities of Edwinstowe, Ollerton and Broughton. As well as boosting the physical wellbeing of local residents, the facility will provide a new cycling destination for the approximately 500,000 people who visit Sherwood Forest every year.

Proposed Thoresby Vale Cycle Hub

Creating inclusive spaces

At Waverley, Harworth has been working with Sheffield Hallam University as part of an 'active towns' project to look at different ways to deliver green community spaces.

As part of this project, a community group called the Waverley Buds was formed, which has worked on a number of small gardening projects over the last three years.

Since the formation of the group, Harworth has created a new community garden space in the centre of Waverley. The space, which is located opposite the new Waverley Junior Academy, is to be managed by the Waverley Buds, and includes a collection of raised planters and seating areas.

During the year, teams from Harworth spent several days with the group, helping to lay the foundations for a new path in the community garden, plant hedgerows and create new landscaping features.

Our Waverley site is also to be used as a test location for a Healthy Ageing research study by Sheffield Hallam University, in association with the Economic and Social Research Council. The study will examine how the design and features of the built environment can be used to encourage activity and physical engagement across age groups.

Harworth staff at the Waverley community garden

Supporting local and national causes

Harworth introduced a new charitable giving policy in 2021, to enhance its level of financial donations and make it easier for staff to support charities that matter to them, or receive match funding for their own fundraising activities.

Under the new policy, the Senior Executive approve a sum of money each year, which can then be bid for by individuals or teams across the business. The People Steering Group is responsible for approving all donation requests.

During the year Harworth donated £67,700 to a number of local and national charities. Some of the causes that we supported are shown below:

TCV The Conservation Volunteers

Wakefield Hospice – Sharing the care in the community

The Children's Hospital Charity

St Luke's – Sheffield's Hospice

Urban Outreach

roundabout – Your local youth housing charity

Tickwood – opportunities to shine

LandAid

The Prince of Wales Hospice

KidsOut – The fun & happiness charity

Preserving cultural heritage

Harworth is committed to preserving the cultural and natural heritage of the sites it develops.

We recognise that many of our former brownfield sites have proud industrial histories, and continue to form part of the fabric of the local community. As a result, plans to restore and repurpose former industrial buildings for new community uses are central to several of our developments. Examples include the workshop buildings of the former Thoresby Colliery at our Thoresby Vale development and the former power station pumphouse at Ironbridge, both of which will be repurposed for a range of local retail and/or leisure uses.

We also incorporate architectural and landscaping features into our sites that reflect their history. During the year, we unveiled a memorial to former colliery workers at our Prince of Wales development in Pontefract, West Yorkshire, in a ceremony attended by local MP Yvette Cooper, local councillors, and former Prince of Wales miners. The memorial, which was funded by Harworth and designed by local artist and former miner Harry Malkin, stands over five metres tall at the entrance to the site, reminding residents and visitors of the area's rich mining history.

Memorial sculpture at Harworth's Prince of Wales site

The Harworth Way continued

Planet

We minimise our environmental impact through the use of renewable resources, energy efficiency, and sustainable construction practices. We also enhance biodiversity and climate resilience through the creation, protection and enhancement of green spaces across our sites.

Harworth's approach to Net Zero Carbon

The climate emergency and imperative transition to a Net Zero Carbon economy have particular implications for property owners and developers – and for those invested in them – due to the very significant contribution that our sector makes to global carbon emissions: nearly 40% in total. As a business that specialises in transformation, Harworth is poised to embrace this challenge and to capture the opportunities that the transition to Net Zero presents.

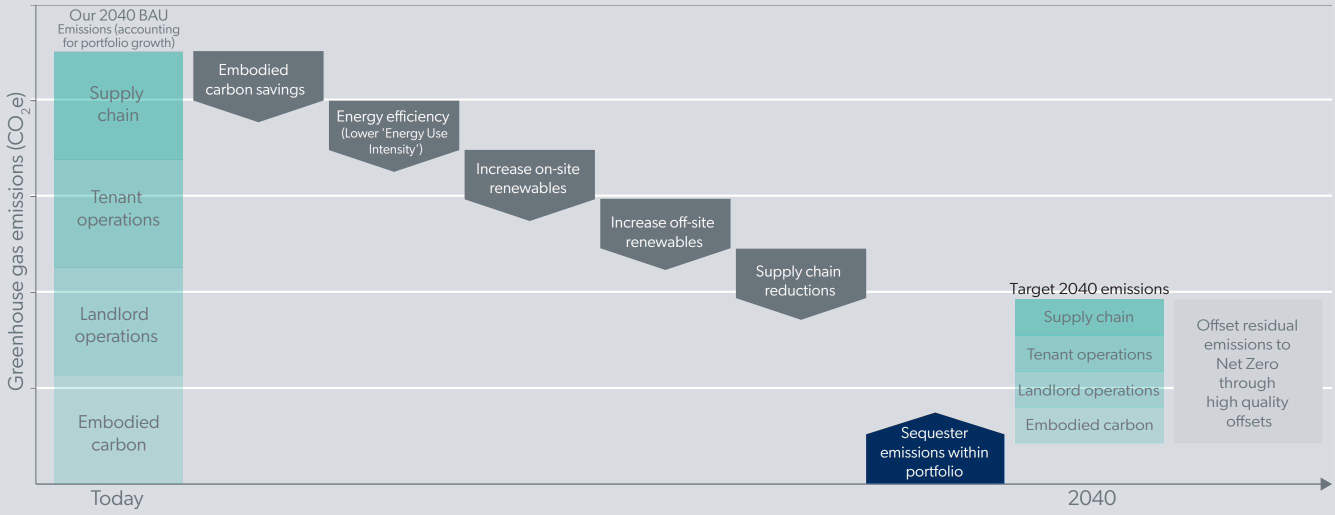
Harworth's *Transformation to Net Zero* will set out our commitment to reaching Net Zero Carbon by 2030 for Scope 1 & Scope 2 emissions, and those Scope 3 emissions relating to business travel and employee commuting. We also commit to reaching Net Zero Carbon for all emissions by 2040.

Achieving this goal will ensure that we develop and hold assets that are fit for the future, underpinning shareholder value in the long-term, whilst taking full responsibility for the climate-related impacts of our activities and those of our value chain. Whilst ambitious, this commitment builds upon some significant areas of progress that we have already achieved, including developing our first building capable of being Net Zero Carbon in operation and driving energy efficiencies throughout our business. Whilst our journey to Net Zero is already underway, we recognise that much work remains to achieve the full transformation needed.

We have aligned our Net Zero goal and approach to the Better Buildings Partnership's Climate Commitment and its supporting Net Zero Carbon Pathway Framework. This is widely viewed as the authoritative framework for the real estate sector and will ensure that we reflect and account for the true impact of our business across the whole lifecycle of our land and property assets.

Further details on Harworth's Transformation to Net Zero, including our CO_2 emissions baseline (with Scope 3 emissions data across our supply chain), our investment boundary and delivery plan, including short- medium- and long-term goals, will be provided later in 2022. We disclose Scope 1, Scope 2 and some Scope 3 emissions data in our Streamlined Energy and Carbon Reporting disclosure on page 64. Over the coming months, Harworth will be investing in systems and resourcing to create a fuller picture of its carbon footprint.

The chart below illustrates how we will transition our business and portfolio to Net Zero by 2040



Integrating energy efficiency into direct development

Increasing our level of direct development and transitioning our Investment Portfolio to Grade A are two of the key components of our growth strategy.

Central to achieving both of these aims is the delivery of energy efficient, resilient buildings that meet occupier demands today and in the future.

During the year, Harworth commissioned consultants to develop a new, sustainable design brief which can be used in Harworth's future direct development. The brief includes recommendations on the use of low and zero carbon technologies, off-site renewable energy supply, and carbon offsetting arrangements.

The design brief led to the creation of Harworth's first building capable of being Net Zero Carbon in operation, LN50 at Logistics North, which reached practical completion in May 2021. LN50 incorporates air source heat pumps to provide low carbon space heating and cooling to offices, and has a reinforced building structure to accommodate solar PV panels on up to 75% of the roof area.

The design brief is currently being evaluated for use in the planning and construction phases of other direct developments in our pipeline, including at Gateway 36 in Barnsley and the Advanced Manufacturing Park in Rotherham.

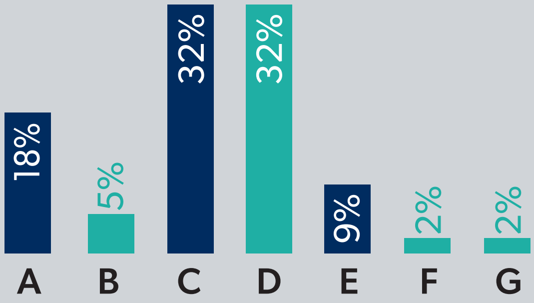
We also recognise that the carbon embodied in our developments and income-producing assets are a significant aspect of our impact which we need to reduce further and ultimately eliminate in collaboration with our supply chain partners. We therefore undertook a further detailed embodied carbon analysis of LN50 which identified design and procurement actions that would achieve a 25% reduction within future similar developments, with the prospect of achieving an embodied carbon intensity target of 357kg CO_2e/m^2. These actions will be incorporated into future direct development wherever possible to allow Harworth to achieve its decarbonisation targets.

Improving energy efficiency in the Investment Portfolio

In addition to maximising energy efficiencies in the assets that we build, we are committed to improving the specification of assets we already own in our Investment Portfolio, thereby reducing environmental impact, extending asset lifespans, and meeting and exceeding changing regulatory requirements.

A breakdown of Harworth's Investment Portfolio by EPC rating is provided below. Our key priority is to raise all units above a C rating well in advance of it becoming a legal requirement from 2027 under the MEES regulations. We are improving energy efficiency primarily through electrical and lighting upgrades, including the fitting of LED lighting and opportunities to increase natural light, alongside insulation and re-cladding/over-cladding upgrades. We are exploring opportunities to roll out solar PV panels to sites.

Breakdown of EPC rating across Investment Portfolio[1]



[1] excludes 0.5m sq ft of Investment Portfolio space which is not required to have an EPC

In early 2022, Harworth installed over 400 sq. metres of solar PV panels on the roof of its head office, Advantage House. When fully operational, this will supply almost 80,000kWh of electricity per annum, and will save over 18,000kg of CO_2 per annum.

Further disclosures

Task Force for Climate-Related Financial Disclosures recommendations. See pages 65 to 69

Streamlined Energy and Carbon Reporting disclosures. See page 64

The Harworth Way continued

Planet continued

Exploring low emission public transport opportunities

Across our development sites we aim to increase connectivity through the provision of public transport links, thereby reducing congestion and its associated emissions, and making developments a more inclusive place for all age groups.

During the year we progressed an exciting opportunity to achieve this at our Ironbridge development. The Ironbridge site already benefits from two rail links to the mainline from Shrewsbury to Wolverhampton, which were originally used to transport materials to the site's power station, and Harworth was keen to explore opportunities to bring them back into use.

During the year, we partnered with Revolution VLR, a consortium of advanced manufacturing companies aiming to develop the next generation of "very light rail" vehicles and technologies, to develop a test vehicle and track on a stretch of disused railway. Combining technology from the automotive and rail sectors, Revolution VLR has produced a lightweight, energy-efficient vehicle that is straightforward to operate and geared to the needs of communities, providing a modern, attractive and cost-effective vehicle solution that it is hoped will facilitate the reopening of disused railway lines.

VLR test train at Ironbridge

Encouraging the use of low and zero emission vehicles

Encouraging and facilitating the use of electric and low emission vehicles is one of the key ways in which we can reduce emissions associated with travel by car.

Harworth owns one car, which is fully electric, and at the end of 2021 had four EV charging points at Advantage House, which are free to use for staff. A further six EV charging points were installed in early 2022 as part of the installation of solar PV panels at the site.

During the year, we introduced a salary sacrifice scheme for staff, which is exclusively for fully-electric and low emissions vehicles.

All future direct development by Harworth will include EV charging facilities, and we are exploring opportunities and partnerships to add them retrospectively to existing developments and Investment Portfolio sites.

EV charging at Advantage House, Rotherham

Protecting and promoting biodiversity

Biodiversity brings significant benefits not just to wildlife and ecosystems, but also to communities through increased amenity value and climate resilience.

Taking steps to promote and protect biodiversity across our sites is therefore a priority for Harworth.

Some of the key areas of biodiversity gain we've been working on in 2021 are:

- Ironbridge: Our Ironbridge development will incorporate extensive green space, including 56 acres reserved exclusively for protecting biodiversity. As part of the site preparation works, we installed six great crested newt ponds, a bat barn which is also used as a moth habitat, and a 21-metre tall nesting tower for Peregrine falcons.
- South East Coalville: We entered the second phase of our South East Coalville residential development during the year. Work is ongoing to deliver 15 acres of parkland and amenity space at the site, in addition to a 23-acre riverside green corridor along the River Sence. Further design elements will include an innovative energy efficient specification for the new school, the translocation rather than removal of hedgerows, and the creation of an Open Mosaic Habitat to boost biodiversity.
- Bardon Hill: Our 332,000 sq ft industrial & logistics development at Bardon Hill will be completed in 2022. Plans include the development of a 10-acre local wildlife centre and new great crested newt ponds at the site, which will boost local biodiversity and provide amenity space for the local community.

We also partner with several wildlife and conservation organisations to achieve biodiversity goals. For many years we have worked in strategic partnership with Wildlife Trusts, a collection of independent regional trusts that collectively look after more than 2,300 nature reserves across the UK.

In December 2021, we sold over 800 acres of land in West Chevinton, Northumberland to the Northumberland Wildlife Trust. The site will be used for one of the most ambitious lowland rewilding projects in the North of England, allowing conservators to test a number of rewilding methods with the aim of storing carbon, boosting biodiversity, and connecting wildlife habitat on an unprecedented scale locally.

Aerial view of Ironbridge development

The Harworth Way continued

People

We create an inclusive, supportive and empowered workplace culture in which people can develop and fulfil their potential. We prioritise the health and wellbeing of our people and ensure they remain inspired and engaged.

3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES

Harworth's ability to execute its strategy and deliver on its purpose of creating places where people want to live and work, is reliant on attracting, maintaining and developing great talent.

At the end of 2021, we had 91 employees working at our head office in Rotherham and across our regional offices in Manchester, Birmingham and Leeds, representing a diverse mix of backgrounds, experiences, and expertise.

Harworth recognises the importance and benefits of a diverse workforce. In 2018 we adopted a Diversity and Equal Opportunities policy, and all employees receive mandatory diversity and inclusion training. Our People Steering Group (PSG) has received further training on diversity and inclusion best practice, and plays a leading role in target setting and identifying areas for improvement across the organisation.

We are committed to transparency and disclosure of diversity and inclusion data. We provide statistics on gender and ethnic diversity within our organisation on pages 107 to 108.

Embedding the Harworth Culture

We have embedded a "One Harworth" culture throughout our business.

This underlines our collaborative approach to delivering and managing our sites, and succeeding as one team. Our culture is underpinned by the three Harworth values:

- Taking Pride in our People & Partnerships
- Delivering Creative Solutions
- Acting with Integrity & Trust

We support this culture through:

- Integrating the Harworth values into appraisals and setting and scoring of remuneration objectives;
- Quarterly all-staff communication events and newsletters, including peer-nominated awards for those employees who have exemplified the Harworth values;
- Hosting staff events throughout the year, at a company-wide and regional level

Staff away day

Hybrid working

During 2021, Covid-19 continued to highlight the importance of promoting and maintaining a good work life balance.

In response to the long-term shift in working practices brought on by the pandemic, we introduced a formal hybrid working policy for all staff.

The policy allows staff to split their work time between the workplace and home, with a maximum of two days a week working from home. All staff were given hybrid working training to help them navigate new ways of working while promoting their health and wellbeing.

Harworth is committed to providing additional flexible working options, acknowledging the numerous benefits to both employee and employer. As part of this approach, we have adopted a "Core Business in Core Hours" policy. Regular meetings that colleagues need to attend should take place within core hours, with employees free to choose their remaining working hours to fit around other commitments such as childcare and external appointments.

New maternity, adoption and paternity policies

During the year we reviewed several people policies to ensure alignment with market best practice, promote the wellbeing and work life balance of our staff, and enable our business to attract the best talent.

This included enhancements to our maternity, adoption and paternity leave policies.

Our maternity and adoption policy has been increased from six weeks full pay, followed by 10 weeks at 50% pay and then 23 weeks of statutory pay, to 24 weeks at full pay, followed by 15 weeks at statutory maternity pay and then, on return to work, full pay whilst working 50% hours for the first two weeks.

Our paternity policy has improved from two weeks full pay to eight weeks full pay, which can be taken in blocks alongside and/or after a partner's maternity or adoption leave.

It is hoped that these new policies will provide greater flexibility for new parents, help to address gender imbalance, and encourage greater sharing of childcare responsibilities.

Advantage House, Rotherham

The Harworth Way continued

People continued

Health, safety and wellbeing

The health, safety and wellbeing of our staff is our number one priority.

Day-to-day review and management of health and safety issues rest with our Project Delivery and Estates Management teams. We have a newly established Risk & Compliance team, which reports to our General Counsel & Company Secretary, who undertake a rigorous assurance programme to ensure effective management of health & safety across all our projects and sites. 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 Risk & Compliance 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". All our low and medium risk sites are inspected at least annually and any high risk-rated sites are inspected more regularly. There are currently no "high risk" sites in the site risk register. The overall risk profile of our sites is reported to both the Group Leadership Committee and the Board monthly.

Our Risk & Compliance team ensures that health & safety is embedded into all our activities. In 2021 mandatory health and safety training was delivered to all employees in the form of half- day interactive training sessions, which for the first time also included training on mental and physical wellbeing.

We have a panel of three health and safety consultants that advise across our portfolio. 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 no accidents involving Harworth personnel during the year. There was one minor accident involving a contractor under Harworth supervision. Where we have appointed a Principal Contractor under the Construction Design and Management (CDM) regulations, it and its sub-contractors take responsibility for health & safety whilst works are ongoing, but we continue to monitor health & safety via our consultants or via our Project Managers. There was one RIDDOR accident on an area of our site for which our contractor had responsibility for health & safety. There were no other accidents on contractor-controlled areas.

We now have five employees who hold a mental health first aid qualification. We have continued measures designed to promote mental and physical wellbeing for our staff, including:

- monthly yoga sessions provided at our head office;
- a series of six "Mind Gym" sessions, teaching mental wellness techniques; and
- raising awareness through Mental Health Awareness week in May 2021.

Harworth also runs an Employee Assistance Programme (EAP) for all staff. The EAP is designed to help employees deal with any personal problems that might impact their work performance, health and wellbeing. These interventions typically include assessment, short-term counselling and referral services for employees and their immediate family.

Ongoing monitoring comprises:

- Weekly meetings between our General Counsel & Company Secretary and the Head of Risk & Compliance
- Monthly reporting by the Head of Risk & Compliance to the Group Leadership Committee and Board
- Quarterly health, safety and environment meetings chaired by our Head of Risk & Compliance, 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 Head of Risk & Compliance reports to the Board in January each year on key issues encountered, actions taken, and priorities for the coming year

Staff events

A series of all-staff events were hosted throughout the year to share success stories and best practice, and embed the Harworth culture and values:

- Staff away day in Harrogate: Our first in-person event since Covid-19 restrictions were relaxed, this away day allowed new members of the team to meet the whole business for the first time, and included teach-ins and team-building exercises.
- Employee AGM: We held our second employee AGM in October 2021. The session was an in-person event and provided staff with an opportunity to learn about the role of the Board and the background of its members. The event included Q&A breakout sessions with Board members.
- Strategy embedding day: Facilitated by an external consultancy, in which teams were encouraged to explore how they could contribute to the delivery of our growth strategy.

Employee engagement

Our annual employee engagement survey gauges employee views on a wide range of topics, including culture, values, working practices, career opportunities and communication.

This information is key to measuring the success of our people policies and informs areas for focus and improvement. In 2021, we added questions on diversity and inclusion, and hybrid working.

The response rate to our 2021 survey remained high at 77% (2020: 81%) Of the respondents:

- 97% said they were proud to work for Harworth;
- 93% would recommend Harworth as a good place to work;
- 92% said that they had a clear understanding of the Company's aims and targets;
- 90% were satisfied with their line manager; and
- 89% of respondents said they felt personally driven to go beyond what is expected of them to make Harworth successful.

The survey identified some areas for improvement, such as communication, sharing of knowledge and best practice, career progression and hybrid working. These will be a focus for the Senior Leadership team in the coming year.

Recognition and award

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. These benefits are applied consistently across the whole business.

Bonuses for those employees who are contractually entitled are awarded, in part, for performance against Group Targets which are aligned to Harworth's strategy and Purpose and are applied consistently across the company. In 2021, these included a Group-wide ESG measure for the first time.

During 2021, we operated a Restricted Share Plan (**RSP**) which we first adopted in 2019. The operation of the RSP is simple and transparent and, in the past, has been applied to the Executive Directors and the Senior Leadership Team. The Directors' Remuneration Report on pages 120 to 149 outlines how we plan to increase and extend the application of the RSP such that, in 2022, RSP awards will be made to approximately 50% of Harworth's employees.

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 Harworth at a 20% discount to the market price of the shares at the outset of the scheme. To date, more than 70 employees have chosen to participate in the SAYE scheme. The SIP provides a tax efficient mechanism by which the Company can promote wider share ownership amongst its employees by awarding shares, 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, Harworth's future success.

The Directors Remuneration Report on pages 120 to 149 explains how we plan to maximise our use of the SIP in 2022 to promote share ownership across the entire Harworth team.

Streamlined Energy & Carbon Reporting (SECR) disclosure

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

Aligned with our financial reporting, the GHG emissions data below relates to our financial year ended 31 December 2021. Emissions data from the financial year ended 31 December 2020 has been provided for comparison.

Harworth uses the operational control boundary method to calculate GHG emissions, whereby we report on all sources of environmental impact for areas over which we have control. This mainly comprises our office locations and the communal areas of our Investment Portfolio assets. Occupiers' and contractors' energy usage and emissions are not included in our Scope 1 and Scope 2 reporting boundary as this is not deemed to be within our operation control, but it is our intention to disclose them as Scope 3 emissions in the near-term.

GHG emissions have been calculated using consumption data provided by our energy suppliers, the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emissions factors from the UK Government's GHG Conversion Factors for Company Reporting 2020.

Harworth Group plc	**2021**	2020
Scope 1 emissions[1] (tCO_2e)	**569**	381
Scope 2 emissions[2] (tCO_2e)	**494**	403
Total Scope 1 & Scope 2 emissions (tCO_2e)	**1,063**	784
Energy consumption used to calculate above emissions (kWh)	**2,327,093**	1,776,198
Revenue intensity ratio for Scope 1 & Scope 2 emissions (tCO_2e/£m)	**9.7**	12.6
Scope 3 emissions: Business travel by car[3] (tCO_2e)	**104**	98
Total Scope 1, Scope 2 & Scope 3 emissions (tCO_2e)	**1,180**	882

[1] Includes fuel used for leased plant on Harworth sites and gas used by company offices and communal areas of Investment Portfolio assets

[2] Includes electricity consumption at company offices and the communal areas of Investment Portfolio assets

[3] Business travel in employee-owned vehicles where Harworth reimbursed the cost of fuel

Our performance in 2021

The company saw a 36% year-on-year increase in recorded GHG emissions but a 23% reduction in energy intensity during 2021.

The increase in recorded emissions was largely because comparative data for 2020 was significantly impacted by Covid-19 restrictions, which reduced energy consumption across our sites. When compared with 2019, GHG emissions for 2021 reduced by 50%. By far the largest driver of this decrease was a reduction in fuel used for leased plant at Harworth sites, consequent on the discontinuance of the processing of coal fines operations.

We implemented several measures to improve energy efficiency during the year:

- Introduced a hybrid working policy whereby employees are entitled to work up to two days a work from home, reducing employee commuting
- Introduced a salary sacrifice car scheme exclusively for electric and hybrid vehicles, reducing emissions associated with employee transport
- Improved monitoring of energy usage data to identify opportunities for reduction
- Continued our upgrade programme for Investment Portfolio assets, aimed at improving EPC ratings
- Towards the end of the year, we installed over 400 sq. metres of solar PV panels on the roof of our head office, Advantage House

Planned enhancements to data collection

As is the case for most real estate companies, Scope 3 emissions will comprise the largest proportion of our carbon footprint.

We have already started to engage suppliers and occupiers, and adapt our own invoice and expenses systems to enable us to accurately measure a larger proportion of this footprint, with a view to reporting this data in the near future.

Task Force on Climate-Related Financial Disclosures

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

In this context, we have considered our "comply or explain" obligation under the Financial Conduct Authority's Listing Rules, and confirm that we have made disclosures consistent with the TCFD Recommendations and Recommended Disclosures in this Annual Report & Accounts 2021, save for certain items, which are summarised below:

- Strategy: We have provided only a limited quantitative assessment of the impact on our financial planning and performance of the short-, medium- and long-term risks and opportunities that we have identified in our 2°C and 4°C scenarios. This is due to data limitations, which we expect to be addressed in the near-term as Harworth invests in systems and resourcing to capture more data.
- Metrics & Targets: We currently disclose partial Scope 3 greenhouse gas emissions. This is due to data limitations, as many categories of Scope 3 emissions rely on the disclosure of data to us by suppliers and customers. Harworth is investing in systems and resourcing, and engaging with stakeholders, to ensure further categories of Scope 3 emissions can be captured in the near-term.

Governance

Board oversight of climate-related risks and opportunities

The Chief Executive has overall responsibility for climate-related risks and opportunities. The Board is updated on our sustainability and climate-related performance and has overall responsibility for oversight of risk, undertaking a biannual assessment of the principal risks, which include climate-related risks. From 2022, these updates will be provided quarterly. The Board assesses the climate-related risks and opportunities inherent in material projects, as part of the Board approval process. From 2022, this will extend to understanding the embodied and operational carbon content of direct development projects.

Ongoing oversight of climate-related issues is carried out by our Board ESG Committee, chaired by Angela Bromfield and comprising the Chair, Chief Executive, Chief Financial Officer and Non-Executive Director Martyn Bowes, and attended by an independent external ESG consultant. The Committee meets at least quarterly and is the senior forum for oversight of the development and implementation of the company's sustainability strategy and commitments. The ESG Committee supports the Board in the assessment and management of climate risk and is responsible for reviewing the effectiveness of the relevant risk management and internal control processes.

Climate-related issues were considered as part of the Board's strategy review that took place during the year. In particular, our plans to transition the Investment Portfolio to modern Grade A, largely through direct development, was viewed as critical to improving the climate resilience of our standing assets, thereby reducing climate transition risk.

The ESG Committee will be responsible for overseeing the setting of Harworth's ESG targets and the company's progress towards meeting them. It monitors external climate-related issues and emerging policy and best practice through regular updates from its retained ESG consultant, and this guides its decisions in formulating strategy and ongoing risk management.

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

The Board ESG Committee is supported by an ESG Steering Group, comprising members of the Senior Executive and representatives from teams across the business, including finance, HR, asset management, development and central services. The steering group meets at least quarterly, to share knowledge and consider how best to address climate-related issues in our operations, then reports progress to the Board ESG Committee.

For our identified climate-related risks (outlined below) we have allocated a risk owner (the Chief Financial Officer) and risk champions (the Head of Investor & Stakeholder Relations, our Technical Director and our Head of Risk & Compliance) who monitor climate-related risks at portfolio level and brief the Senior Executive on material movements in risk profile.

We consider stakeholder impact in our project appraisals, and all new business cases must factor in the environmental and societal impact of each project. Currently these are largely qualitative assessments, but it is our intention to increase our quantitative measurement of impact in our project appraisals, budgeting and forecasting from 2022.

The management team engages with several external bodies, including the UK Green Building Council, the British Property Federation and the Construction Industry Research and Information Association to enhance its management of climate change risk and opportunities. The team monitors external climate-related issues and emerging policy and best practice through regular updates from a retained independent external ESG consultant.

During the year, the group commissioned a report detailing how it could develop buildings to be Net Zero Carbon in construction and operation, prepared by an independent engineering and sustainability consultancy. The report was presented to the Investment Committee and is being adopted in the design of future direct developments, thereby supporting the Company's Transformation to Net Zero and guarding against stranded asset risks.

Task force on Climate-related financial disclosures continued

Strategy

Overview of climate-related risks and opportunities

We consider our relevant time horizons to be short-term (to 2027), medium-term (2028-2040); and long-term (2040–2060). Our short-term time horizon is aligned to our strategy outlined in September 2021 to double the size of our business over five to seven years. Our medium-term time horizon corresponds to approximate development timelines for the majority of our current Major Development and Strategic Land sites.

Our assessment of climate risks and opportunities in the short-, medium- and long-term assumes a scenario in which global temperature rise is limited to 2°C by 2100 (aligned to Representative Concentration Pathway (RCP) 2.6 as outlined by the Intergovernmental Panel on Climate Change (IPCC)), but we have also considered the impact of a 4°C (RCP 8.5) scenario on the risks and opportunities below.

In identifying the risks and opportunities outlined in this section and their impact on our financial planning and performance, we have considered the likelihood of the risk based on current and forecast market data and trends, and the potential impact based on the type and condition of our portfolio assets and their location. We have also considered the mitigation measures that we currently and could potentially implement, which have informed our risk assessment outlined on page 77. Together, these factors determine the prioritisation of individual risks and opportunities in our asset- and group-level financial planning.

Short-term risks (to 2027)

2°C scenario	
Risk	**Impact on business, strategy and financial planning**
Transition risks	
Policy & Legal: Minimum Energy Efficiency Standards and the introduction of "energy in-use" performance ratings could result in increased costs and a loss of rental income if our Investment Portfolio assets do not meet minimum standards.	We plan to transition our Investment Portfolio to Grade A over five to seven years. These assets will have a minimum EPC rating of A and reflect the latest environmental building specifications, mitigating the costs of non-compliance.
Policy & Legal: Increased one-off and operating costs across our Major Development sites arising from regulation in the areas of green energy procurement, EV charging point installation and biodiversity offsetting.	Our developments already often exceed minimum building regulations and emphasize high quality placemaking. We believe this approach improves the sustainability of our assets, and this is reflected in their valuation and rental profile.
Market: An increase in energy efficiency specifications expected by occupiers and home buyers would require additional expenditure on development and fit-out, which would depress land values.	We work with our suppliers and housebuilder partners to deliver high quality products which already exceed market expectations. This should be reflected in the valuation, pricing and rental profile of our land and assets.
Market: An increase in carbon prices on high emission materials, and premiums for and/or availability of lower carbon alternatives could impact the costs of raw materials in our supply chains.	Our procurement approach is considered early in project planning, and we undertake rigorous tender processes. We conduct ongoing monitoring of material costs and use technical resource to mitigate any impact of rising prices.
Reputation: Investor and other stakeholder requirements of sustainability performance increase, creating a risk of reputational damage where expectations are not met, and impacting our ability to raise capital or create new partnerships.	This year Harworth has enhanced its environmental reporting, provided new metrics and targets and outlined a Net Zero pathway. We are engaging closely with investors and other stakeholders to ensure our environmental reporting continues to evolve and meets expectations.
Physical risks	
Some increases in the incidence of acute physical risks, such as heatwaves, storms, and flooding, could result in increased costs to repair, replace and future-proof infrastructure across our Major Development sites and buildings in our Investment Portfolio.	Resilience is already factored into our development design, for example through developing sustainable urban drainage systems (SUDS) and sustainable cooling and heating systems for industrial units. We maintain a flood risk register for all sites.

Impact of a 4°C scenario

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

Short-term opportunities (to 2027)

2°C scenario	
Opportunities	**Impact on business, strategy and financial planning**
Products & services: Through increasing direct development and transitioning our Investment Portfolio to Grade A, we can provide market-leading industrial & logistics space with a high environmental specification.	Grade A assets would be in higher demand from occupiers, and therefore generate higher rental income and valuations. Increasingly Harworth will design buildings to be Net Zero Carbon in operation and construction, as best practice continues to evolve.
Resilience: Our environmental design code for new direct development will deliver future-proofed assets that require less maintenance and transition costs in the future. Across our sites we promote public transport use, create cycle paths and walkways, plant trees and use SUDs ponds to mitigate flood risk.	An environmental appraisal is integrated into all site decision-making, and we engage with stakeholders to ensure best practice and to identify new opportunities. This improves the desirability of our sites, driving land values higher.
Energy efficiency: Reducing energy consumption through low carbon transport, encouraging flexible working and energy-saving measures such as timed and LED lighting.	During 2021, we introduced several measures to improve energy efficiency, which will reduce costs and improve staff productivity.
Energy source: Our portfolio is well-placed to meet increased demand for land for renewable energy schemes and offsetting, particularly on parts of our sites where other types of development would not be viable. The scale of our sites means it is often easier and more cost effective to implement on-site renewable energy generation than in other settings e.g. urban developments.	In 2022, the role of our Natural Resources team will evolve to support all areas of the business in identifying opportunities to introduce energy generation and storage into our schemes, providing additional revenue streams and an opportunity to offset emissions from within our portfolio.

Impact of a 4°C scenario

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

Medium-term risks (2028 - 2040)

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

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

Additional physical risks may emerge, with slight rises in river peak flows and associated flood losses. We estimate that 4% of our sites by area are highly exposed to flooding. Summers will become warmer with an increased risk of heat stress, leading to minor increases in the cost of cooling buildings and adaption measures at our sites to protect those most vulnerable.

Impact of a 4°C scenario

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

Task force on Climate-related financial disclosures continued

Medium-term opportunities (2028 - 2040)

Opportunities may arise from cheaper and more effective technologies to achieve energy efficiency, allowing Harworth to generate more of its operating energy from on-site renewables. There is also likely to be a greater promotion of public transport, for example bringing old railway lines back into use with new low carbon and automated transport technologies. This will benefit the connectivity and land value of Harworth sites, many of which have former railway sidings and lie adjacent to major road networks. There may also be greater demand for land used for offsetting, as buyers approach their own net zero carbon deadlines, which would provide additional opportunities for our significant landbank and natural resources portfolio.

Impact of a 4°C scenario

Under this scenario, demand for cheaper adaption measures, low carbon transport and land for offsetting are all likely to increase. This could lead to higher demand and therefore land values of Harworth sites. It could also mean that the cost of adaptation measures are cheaper, allowing Harworth to future-proof its portfolio earlier and at a lower cost than under a 2°C scenario.

Long-term risks (2040 – 2060)

The prevalence of physical risks is likely to be higher. These could include material increases in the frequency of acute risks such as flooding, particularly in low-lying areas of Yorkshire & the Humber, such as Doncaster. In addition to the 4% of our sites by area that we estimate to be highly exposed to flooding, the further 14% of our sites that we consider to be at medium exposure could also be at risk. This could lead to increased costs of repairs, mitigation measures and insurance premiums at these sites. Chronic risks such as hotter summers will also mean increased energy consumption in our buildings and maintenance costs, increased demand from occupiers for air cooling technologies, and adaptation measures to ensure adequate rainwater collection and storage at our sites. There is also the potential for fundamental changes in construction methods and materials, that could increase building costs and thereby depress land values.

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

Impact of a 4°C scenario

Physical risks could be significantly higher. The Met Office's UK Climate Projections 2018 predict that UK sea levels could rise by up to 1.1m by 2100 in this scenario, which could significantly increase flooding risk in low lying parts of Yorkshire & the Humber, such as Doncaster. Average summer temperatures for the Yorkshire & Humber, North West and East Midlands regions are likely to rise on average by 5°C by 2100, which could lead to increased costs in cooling and repairing buildings, and those costs arising sooner than under a 2°C scenario. These increased physical risks could have significant impacts on the economy in general, leading to lower levels of economic output and unemployment, impacting demand for our sites.

Long-term opportunities (2040 – 2060)

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

Impact of a 4°C scenario

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

Risk Management

Identifying and assessing portfolio-level risk

The Board reviews the Group's principal and emerging risks formally at the half-year and year-end. Climate change transition is considered by the Board to be a principal risk for the Company. The physical risk of climate change is currently considered to be an operational risk, but both are monitored and managed through the Group Risk and Assurance Map (GRAM).

The GRAM is our principal tool for monitoring the risk profile of the business, the measures in place at an operational level for mitigating and managing risk, the effectiveness of those measures via an assessment of key risk indicators, and the adequacy of the assurance given to the management team and Board about risk management. It is a dynamic document and remains subject to continuous review and evolution. The GRAM is also used to monitor emerging regulation. Further information on the GRAM can be found on pages 70 to 71.

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

Identifying and assessing asset-level risk

Since late 2020, all new business cases must factor in the environmental risks inherent in each project. Currently these are largely qualitative assessments, but it is our ambition to begin quantified measurement of their impact for acquisitions and direct development from 2022 onwards.

Managing risks

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

Steps taken to manage and mitigate our Climate transition risk:

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

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

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

An outline of our processes for mitigating, transferring, accepting, or controlling risks can be found on pages 70 to 77.

Metrics & Targets

Metrics used to assess climate-related risks and opportunities

	Current metrics used	Additional metrics currently being explored from 2022
Transition risks	• Data on Scope 1, Scope 2 and certain categories of Scope 3 emissions • % Investment Portfolio that is EPC Grade C or above • % Investment Portfolio capable of being Net Zero Carbon in operation	• Data on further categories of Scope 3 emissions • % energy generated from renewable resources • % energy generated on-site • % sites with EV charging capabilities
Physical risks	• Proportion of land that is exposed to flood risk	• Flood risk assessment under temperature rise scenarios • Spending on infrastructure projects that will reduce risks of physical climate impacts at sites
Opportunities	• % Investment Portfolio that is Grade A	• Cost savings from improved energy efficiency and sourcing • Acreage of Harworth land used for offsetting • % of company shares held by ESG-focused funds

Disclosure of metrics and Greenhouse gas (GHG) emissions data

We disclose a range of metrics relating to our environmental performance in the Planet section on pages 56 to 59. GHG emissions data can be found in our Streamlined Energy and Carbon Reporting disclosure on page 64.

Targets to measure climate-related risks and opportunities

Harworth's *Transformation to Net Zero* is our commitment to reaching Net Zero Carbon by 2030 for Scope 1, Scope 2, and those Scope 3 emissions relating to business travel and employee commuting, and to reaching Net Zero Carbon by 2040 for all emissions. More information can be found in the Planet section on pages 56 to 59.

In addition to its Net Zero Carbon target, Harworth has three Focus Impact Areas that address climate risks, outlined on pages 49 to 50: Building greener, Developing responsibly and Reducing CO_2 emissions. Performance in these Focus Impact Areas is considered in setting reward for all employees.

Effectively managing our risk

In this section we explain how the Board has reviewed the effectiveness of Harworth's risk management and internal control system. We present our approach to risk, including the further improvements we have made to our risk management system, and set out the Board's analysis of the Group's principal risks and uncertainties informed by our growth strategy.

At the beginning of the year, with oversight from the Audit Committee and the Board, management undertook a comprehensive review of the Group's risk management and internal controls systems with the assistance of external consultants.

Role of the Board and Audit Committee

The Board has overall responsibility for determining the risk appetite of the Group, for monitoring the risk profile of the business and ensuring that measures and controls are in place to manage risk effectively, with its focus being on principal and emerging risks. The Audit Committee supports the Board in the management of risk and is responsible for reviewing the effectiveness of risk management and internal control processes and assurance activity.

Management of risks

At an operational level, ownership of risks is assigned to members of the Senior Executive and managed on a day-to-day basis by risk champions from across the business. The Group Leadership Committee (GLC) has responsibility for identifying specific risks, implementing and monitoring risk responses and ensuring operating effectiveness of key controls. Every month, the profile of our principal and operational risks is reported to the GLC and a risk workshop is hosted to undertake a "deep dive" into one or more risks, led by the risk owners and champions.

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

Group Risk and Assurance Map

Central to monitoring the effectiveness of our risk management system is our new Group Risk and Assurance Map (GRAM), which has replaced the Group Risk Register. The GRAM is a register of the Group's principal and operational risks grouped into ten risk categories each with a series of sub-risks (see page 116 of the Audit Committee Report for the full list of risk categories and sub-risks). The GRAM is a "living" tool and reviewed by risk owners and champions (continuously), the GLC (monthly), and the Audit Committee (biannually). Each sub-risk has its own risk and assurance map which details:

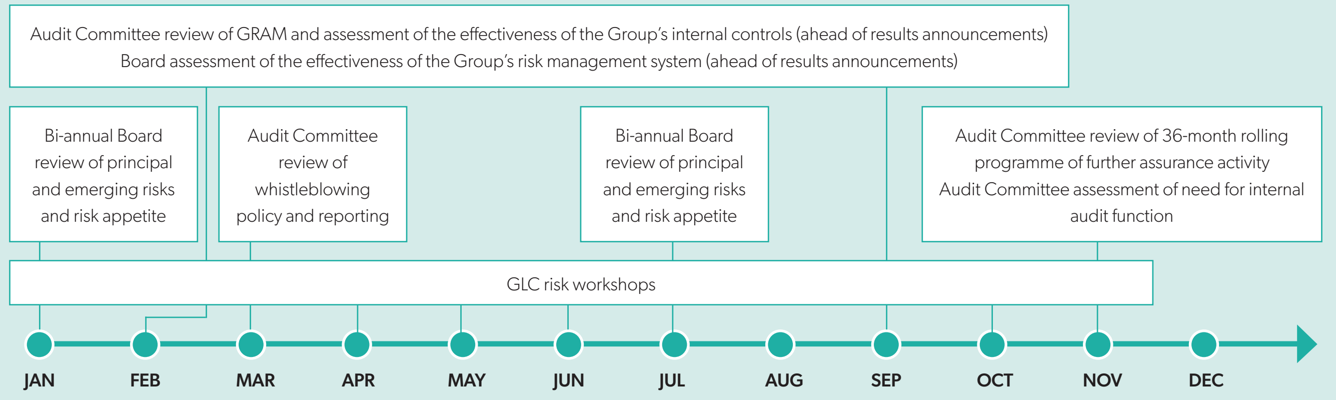
- the definition of and commentary on each risk;
- inherent risk, residual risk and risk appetite scores to evaluate the changing status of each risk;
- mitigation measures that have either been implemented, are in progress or planned;
- key risk indicators used to measure the profile of each risk;
- established Board assurance activity; and
- management's proposals for further assurance activity, which is used by the Audit Committee to approve a 36-month rolling programme of further assurance (see page 115 of the Audit Committee report).

The profile of our principal risks is reported to the Board monthly and the Board undertakes a detailed review of our principal risks and its risk appetite every six months.

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

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

Risk review framework: Annual cycle



Principal risks and uncertainties

The Board is responsible for identifying, setting the risk appetite for, and evaluating the Group's principal risks, being those risks that could threaten the delivery of our strategy, our business model, future performance, solvency or liquidity and/or reputation. Over the last 12 months, the Board has identified through a series of workshops a refreshed set of principal risks and uncertainties, informed by the strategy.

The risk heat map below illustrates the positioning of our principal risks before and after mitigating actions. A detailed analysis of each principal risk is set out thereafter, explaining our key risk mitigation actions, further measures planned for the upcoming year, change in residual risk status in the year and how each risk relates to our strategic pillars.

The Senior Executive and Board are monitoring closely the conflict in Ukraine, its macro-economic implications and potential impacts on the business. The profile of our principal risks remains subject to very regular review at an operational level, both in the context of the Ukraine/Russia conflict, and more widely.

Principal risks

Acquisitions

1. Availability of and competition for strategic sites

Project Delivery

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

Markets

6. Residential and commercial markets

People

7. Resourcing

Finance

8. Availability of appropriate capital

Safety and Compliance

9. Health and safety

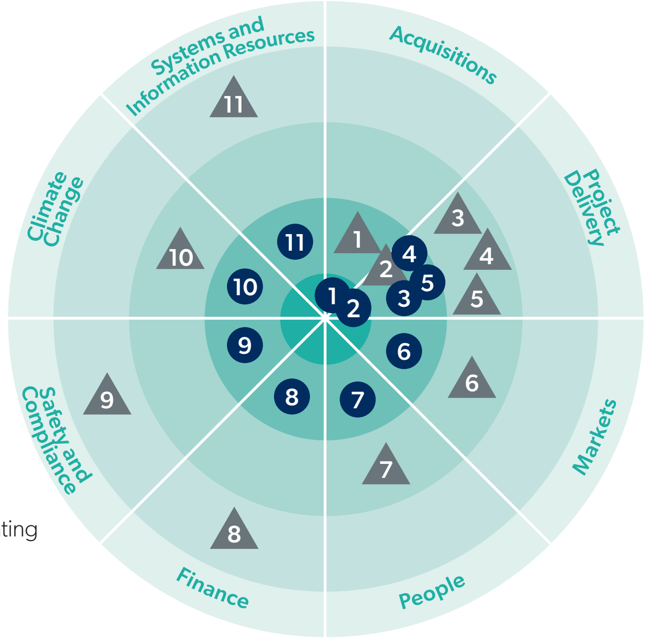
Climate Change

10. Managing climate change transition

Systems and Information Resources

11. Cyber security

🟩 Very high
🟩 High
🟩 Medium
🟩 Low
🟩 Very low



● Inherent risk (before mitigating actions)

▲ Residual risk (after mitigating actions)

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

Effectively managing our risk continued

Strategic link key

1 Increasing direct development of industrial & logistics stock

2 Accelerating sales and broadening the range of our residential products

3 Growing our strategic land portfolio and land promotion activities

4 Repositioning our Investment Portfolio to modern Grade A

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Risk 1

Availability of and competition for strategic sites Current risk	**Commentary** In the current strong market for industrial & logistics and residential sites, competition for acquisitions remains a key risk as acquiring new sites is fundamental to maintaining target returns and driving growth consistent with our strategy. Having said that, we have a landbank of around 14,000 acres with a pipeline of 28.2m sq. ft (7.3m sq. ft consented) of industrial space and 30,804 plots (of which 9,978 were consented), which means we can be patient if hurdle return aspirations cannot be met in the current market.

Description

Failure to acquire strategic land at appropriate prices due to constrained supply or competition

Mitigation

- Extensive external stakeholder engagement to identify opportunities supported by internal co-ordination via regular internal acquisitions meetings
- As part of the strategy review, we commissioned reports from external consultants to inform our acquisition strategy
- We seek input from our valuers prior to acquisition to inform pricing
- Via our portfolio strategy, we manage the timing of acquisitions

Additional measures planned for 2022

- Further development of acquisition strategy
- Refresh stakeholder maps
- Development of Customer Relationship Management system
- Additional acquisitions resource

Change in residual risk in the year	Link to strategy
▶	3,£

Risk 2

Planning Current and emerging risk	**Commentary** Changes to the planning regime have the potential to impact adversely on promotion activity and financial returns. There is greater uncertainty since the Government's flagship planning reforms have been put on hold.

Description

Planning promotion risk including uncertainty around local and national changes to planning regime with potential for adverse effect on promotion activity

Mitigation

- We regularly review greenbelt exposure at a portfolio level
- Through key stakeholder groups, we respond to emerging planning policy
- Stakeholder mapping is undertaken at a project level
- Local political advisers are appointed on individual sites, where appropriate
- Strong relationships with local planning authorities and key local stakeholders

Additional measures planned for 2022

- Refresh stakeholder maps
- Develop a Customer Relationship Management ("CRM") system

Change in residual risk in the year	Link to strategy
▶	1,2,3,£

Change in residual risk in the year

▶ No change ▼ Increase ▲ Decrease

Risk 3

Commentary

Supply chain cost inflation and constraints

Current risk

Both we and our customers are experiencing supply chain challenges including shortages in raw materials and labour constraints.

Description

Supply chain pricing pressures and constraints (affecting both labour and raw materials) resulting in development cost increases and delays

Mitigation

- Our procurement approach is considered early in project planning
- We undertake rigorous tender processes
- We have established a suite of legal precedents to promote consistency in land remediation and direct development procurement
- We utilise market intelligence regarding contractors' commitments and workload

Additional measures planned for 2022

- Additional direct development and technical resource

Change in residual risk in the year	Link to strategy
▲	1,2,£

Risk 4

Commentary

Supply chain and delivery partner management (counter-party risk)

Current and emerging risk

Our strategy to increase direct development activity and enter the Build to Rent market increases delivery and execution risk within the business, resulting in a growing need to select, monitor and manage counterparties effectively.

Description

Increase in exposure to supply chain, delivery and investment partners leading to increased risk of disputes with and/or default by and/or insolvency of counterparties

Mitigation

- Our procurement approach is considered early in project planning
- A consistent process is followed for "onboarding" suppliers
- We have established a suite of legal precedents to promote consistency in land remediation and direct development procurement
- Our central technical team monitors contractor "concentration risk" and promotes consistencies and knowledge-sharing across our portfolio

Additional measures planned for 2022

- Upgrades to our supplier onboarding process, extending to all counterparties, and implementation of improvements to ongoing monitoring regime
- Explore viability of framework agreements with suppliers who undertake works at volume and/or scale

Change in residual risk in the year	Link to strategy
▲	1,2,Ⓗ,£

Effectively managing our risk continued

Strategic link key

1	Increasing direct development of industrial & logistics stock
2	Accelerating sales and broadening the range of our residential products
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4	Repositioning our Investment Portfolio to modern Grade A
H	The Harworth Way
£	Group Financial Targets

Risk 5

Statutory costs of development

Current and emerging risk

Commentary

Short-term higher risk areas are focused on biodiversity net gains, now mandated via the Environment Act 2021, changes to Part L of the Building Regulations and the recently implemented residential property developer tax. On the horizon are planning reforms and the future Homes Standard.

Description

Legislative reforms which do or may impose a tax or levy on development, or have the effect of levying an additional cost on development

Mitigation

- The known and potential impact of changes to the Building Regulations, implementation of biodiversity net gain requirements and planning reforms is modelled into project appraisals ahead of acquisition
- Through key stakeholder groups, we respond to emerging policy
- Initial modelling suggests limited direct impact from the residential property developer tax at this stage

Additional measures planned for 2022

- Enhanced horizon scanning regime
- Ongoing work to determine how we can best address the challenges and capitalise on the opportunities arising from mandated biodiversity net gain requirements

Change in residual risk in the year	Link to strategy
▲	1,2,4,H,£

Risk 6

Residential and commercial markets

Current risk

Commentary

We continue to focus on both residential and industrial & logistics markets. The Group is currently operating in a very buoyant commercial market reflecting strong demand in the industrial & logistics sector.

The residential market also performed well through 2021, with strong house prices and housing sales volumes nationally including on our sites.

Description

Downturn in industrial & logistics and/or residential market conditions leading to falls in property values

Mitigation

- Regular feedback is received from advisers on the status of residential and industrial & logistics markets in our core regions to supplement generic market commentary
- Pursuant to our strategy we are working to take full advantage of current market conditions and mitigate a potential downturn by accelerating residential sales, introducing new products at our residential sites, repositioning our Investment Portfolio and increasing the quantum and speed of direct development (but with controlled exposure to speculative development)
- Appointed a Head of Mixed Tenure, a Development Director, a Director of Strategy, Investment & Business Development, and we are recruiting additional resource

Additional measures planned for 2022

- Roll-out of the first wave of our Build to Rent product
- Repositioning of Investment Portfolio including selective disposal of certain legacy assets.

Change in residual risk in the year	Link to strategy
▶	1,2,4,£

Change in residual risk in the year

▶ No change ▼ Increase ▲ Decrease

Risk 7

Commentary

Resourcing

Current risk

Resource stretch, in particular exacerbated by the work implications of Covid-19 and the current challenging labour market, is currently one of the biggest concerns amongst the Board and Senior Executive as the Group must be able to attract and retain the right people to deliver the strategy. Significant work has been, and continues to be, undertaken on recruitment, employee engagement and well-being initiatives.

Description

Insufficient and/or inappropriate resources, including overworked staff and/or inability to retain and/or attract necessary talent

Mitigation

- Development of a people strategy to complement our business strategy. External benchmarking of organisational design, recruitment and retention, competitiveness of reward, health and well-being
- We continue to progress recruitment for replacement and new roles and succession planning
- New maternity, paternity, adoption and shared parental leave policies
- Introduced hybrid working
- Widened share ownership through the Restricted Share Plan and Share Incentive Plan
- Alignment of Group and personal objectives on delivery of strategy

Additional measures planned for 2022

- Continued implementation of people strategy including expansion of talent development programme

Change in residual risk in the year	Link to strategy
▼	1,2,3,Ⓗ

Risk 8

Commentary

Availability of appropriate capital

Current risk

There is a need to match capital to the operational and project specific needs of the business, accommodating the increase in pace and scale of activity, particularly development, under our strategy. In 2021 we engaged extensively with existing and prospective funders culminating in the entering into of a new senior debt facility in early 2022.

Description

Inability to access appropriate equity and/or debt funding to support the strategy

Mitigation

- Development of a financing strategy to complement our business strategy, supported by external consultants
- Informed by that strategy, we have entered into a new senior debt facility with a resulting £50m increase to £200m.
- This is supplemented by accessing project specific funding where relevant.
- We continue to pursue and unlock grant funding

Additional measures planned for 2022

- Continue to identify scheme specific funding
- The prospect of raising additional equity, if required to pursue specific development opportunities, is kept under consideration

Change in residual risk in the year	Link to strategy
▼	1,2,3,4

Effectively managing our risk continued

Strategic link key

1 Increasing direct development of industrial & logistics stock

2 Accelerating sales and broadening the range of our residential products

3 Growing our strategic land portfolio and land promotion activities

4 Repositioning our Investment Portfolio to modern Grade A

Ⓗ The Harworth Way

£ Group Financial Targets

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

Description	Mitigation	Additional measures planned for 2022
Incident causing injury and/or death resulting in liability, penalties and/or reputational damage	• Appropriate policies are in place, including a Safety, Health and Environmental Management System (SHEMS) Policy and an Employee Health and Safety Policy • A Risk and Compliance (R&C) function has been established with a focused remit on health and safety and environmental assurance • The R&C team undertakes a rigorous site inspection regime and maintains a sites risk register through which it monitors and reports the risk health and safety status of each of our sites. • We have a panel of health and safety consultants who support our project delivery • Health, safety and environment management meetings are held quarterly and attended by representatives from all operational divisions • We host compulsory health and safety training for all employees every two years, supplemented by an annual schedule of mandatory online learning • We have a programme of health and wellbeing initiatives for employees, including access to internal physical and mental health first aiders and an external Employee Assistance Programme	• Transition to a cloud-based health, safety and environment management platform • Review the effectiveness of our health and safety consultant panel arrangements • Additional R&C departmental resource

Change in residual risk in the year	Link to strategy
▶	Ⓗ

Change in residual risk in the year

▶ No change ▼ Increase ▲ Decrease

Risk 10	Commentary
Managing climate change transition Current and emerging risk	The climate change agenda has a wide-ranging impact on the Group, from our investment case to shareholders and reporting to the stock market through to operational activity, including the need to embed environmental sustainability into all our projects.

Description	Mitigation	Additional measures planned for 2022
Failure to manage transitional risks associated with climate change covering both operational activity and reporting	• We have established an ESG Board Committee (see pages 118 to 119) to oversee formulation and delivery of our ESG strategy, target-setting and reporting • At an operational level, the Committee is supported by the ESG Steering Group, comprising members from every team across the business • External consultants are appointed to advise on ESG strategy formulation, implementation and reporting • Initial measures and short-term and long-term targets have been developed for all areas of the ESG strategy • We have identified a decarbonisation target and initial measures to achieve zero carbon in Scope 1, 2 and some Scope 3 emissions • We have joined the UK Green Building Council which facilitates sharing of knowledge and best practice.	• Embed fully environmental and social analysis into our project appraisals and approvals process • Continue to improve capture and analysis of environmental and social data and to enhance and extend our climate change disclosures • Appointment of a Director of Sustainability, reporting to the CEO **Change in residual risk in the year**: ▼ **Link to strategy**: 1,2,4,Ⓗ,£

Risk 11	Commentary
Cyber security Current risk	Cyber-attacks pose an evolving threat to all businesses and Harworth, like others, is at risk of regular attacks. Strategic and technical measures are in place to monitor and mitigate this risk.

Description	Mitigation	Additional measures planned for 2022
Successful cyber-attack jeopardising business continuity	• We have an established IT Disaster Recovery Plan which is subject to annual desktop testing • We have an external provider for IT support which remains vigilant to the evolving cyber security backdrop and an outsourced Information Security manager • We take out cyber risk insurance • We undertake phishing simulations, IT system vulnerability scanning and annual penetration testing • We have a rolling cyber and information security awareness programme for all employees.	• Roll out of a new information security policy set • Our IT Disaster Recovery Plan will be incorporated into an updated Business Continuity Plan. **Change in residual risk in the year**: ▼ **Link to strategy**: Ⓗ

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
21 March 2022

> Harworth is transitioning into its next phase of growth with the benefit of an established and effective corporate governance structure.
>
> **ALASTAIR LYONS**
> Chair

The Harworth Way

Governance is a supporting pillar of the Harworth Way. High standards of corporate governance underpin the effective operation of the business and the long-term sustainable success of the Company, for the benefit of all stakeholders.

Read more about
The Harworth Way
on pages 48 to 69

Governance Report

Contents

Chair's Introduction

> We have made significant progress in key areas of governance, which have been the focus of the Board during the reporting period.
>
> **Alastair Lyons**
> Chair

Dear Shareholder,

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

Whilst 2020 was largely focused on responding to the pandemic, in 2021 we dealt with Covid-19 as business as usual and navigated to a "new normal". We were very pleased to return to in-person Board and Committee meetings and undertake site visits from June, whilst keeping contingencies and Covid-19 secure precautions in place. This momentum has allowed us to make significant progress in key areas which, as outlined below, have been the focus of the Board during the reporting period. We are confident that Harworth is transitioning into its next phase of growth with the benefit of an established and effective corporate governance structure.

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

Our strategy

Following Lynda Shillaw's appointment as our Chief Executive in November 2020, the Board has spent much of its time interacting with the Senior Executive in reviewing and evolving the Company's strategy, participating in a series of workshops culminating in approval of an updated strategy at our Strategy Day in July. Whilst the plan represents evolution not revolution, we are planning for there to be material shifts in the pace and scale of what we do with the aim of reaching £1bn of EPRA NDV over five to seven years. The Board is now focused on overseeing the implementation of our strategy, and excited by the prospect of scaling up the creation and delivery of sustainable places where people want to live and work.

Environmental, Social and Governance (ESG)

ESG is hardwired into Harworth's DNA and culture, and our ESG credentials were reflected in the feedback from stakeholders in support of the strategy review process. Our long-standing approach to ESG was articulated as the Harworth Way in 2019, and this has been embedded in all elements of our strategy. During the period, we took this forward by establishing our new ESG Board Committee, to provide oversight of and guidance on the Group's ESG strategy, practices and reporting. The development of our ESG commitments includes setting a Net Zero Carbon pathway, identifying targets aligned with the pillars of the Harworth Way, and establishing a reporting regime which will not only satisfy our regulatory requirements but will also demonstrate to our investors and stakeholders the significant part we can and do play from an ESG perspective.

Remuneration Policy

During the second half of the year, the Remuneration Committee undertook the triennial Remuneration Policy (**Policy**) review with the assistance of our remuneration consultants, Deloitte. This review was informed by our strategy, and supported by benchmarking exercises and cost modelling. The Committee consulted with, and took onboard feedback from, the Company's largest shareholders and several proxy advisers. The new Policy was recommended to and approved by the Board in February 2022 and will be tabled for approval at this year's Annual General Meeting (**AGM**). The Policy is set out in full on pages 127 to 137, and an explanation of the rationale for the proposed changes to the Policy is at pages 121 to 124.

Risk and internal controls

During the year we reviewed our risk management system, with the assistance of external consultants, itself another reflection of our appetite for continuous improvement when it comes to governance. Our previous Group Risk Register has been replaced by the Group Risk and Assurance Map, a register of our principal and operational risks incorporating risk scores, mitigation measures, key risk indicators and Board assurance activity. We also added more rigour to our assurance regime, introducing a three-year assurance programme which replaces the in-year assurance activities we have undertaken in the past. Finally, we felt it appropriate to undertake a detailed review of our principal risks, to take account of the updated strategy, and any change in our risk appetite. The implementation of this enhanced system is reflected in our risk report on pages 70 to 77 and, following Audit Committee recommendation, the Board's assessment of the effectiveness of the Group's risk management system can be found on page 70.

Board composition

Given the relatively short tenures of our Executive Directors and independent Board members, succession planning did not feature as prominently on the Board's agenda as in previous years. In September however, the Board appointed Nigel Turner as interim Chief Financial Officer, following a recommendation by the Nomination Committee. Though not a statutory director, Nigel undertook Kitty Patmore's responsibilities whilst she was on maternity leave.

We are committed to diversity and inclusion in the boardroom as well as across the wider business. We are proud of our progressive position on gender diversity at Board level, but understand there is more work to do, particularly with respect to ethnic minority representation albeit we have no short-term need to appoint an additional director to the Board.

External Board evaluation

In the fourth quarter of 2021, an external Board evaluation was undertaken by Ian White, an experienced independent Board assessor who also undertook our previous external evaluation in 2018. Whilst it was pleasing to see the positive feedback from this evaluation and its conclusion that we have an effective Board, there is always room for improvement and action points have been agreed to implement the recommendations arising from the review. A summary of the evaluation process and the recommendations can be found on pages 98 to 99 of the Statement of Corporate Governance.

Annual General Meeting

Covid-19 restrictions permitting, our AGM will be held at 2:00pm on Tuesday 24 May 2022 at The Bessemer Conference Room, AMP Technology Centre, Advanced Manufacturing Park, Brunel Way, Waverley, Rotherham S60 5WG. Given we were required to hold closed AGMs in 2020 and 2021, I very much look forward to welcoming shareholders in person.

ALASTAIR LYONS
Chair
21 March 2022

The Board is focused on overseeing the implementation of our strategy, and excited by the prospect of scaling up the creation and delivery of sustainable places where people want to live and work.

Board of Directors and Company Secretary

Alastair Lyons

CHAIR

Date of appointment
07/03/2018

Length of service
4 years 1 month

Independent
Yes

Committee Membership

N (Chair) R E

Skills and Experience

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

External appointments

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

Lynda Shillaw

CHIEF EXECUTIVE

Date of appointment
01/11/2020

Length of service
1 year 5 months

Independent
No

Committee Membership

N E D

Skills and Experience

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

Lynda is also a Non-Executive Director and Senior Independent Director of Vivid Housing Association, and until December 2021 she was a Non-Executive Director of The Crown Estate. At the start of 2022, she was appointed Chair of the BPF Regional Policy Committee.

External appointments

Non-Executive Director of Vivid Housing Association.

Katerina (Kitty) Patmore

CHIEF FINANCIAL OFFICER

Date of appointment
01/10/2019

Length of service
2 years 6 months

Independent
No

Committee Membership

E D (Chair)

Skills and Experience

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

Kitty is also a Non-Executive Director and member of the Audit Committee of LondonMetric Property plc and Chair of the Investment Property Forum Finance Group.

External appointments

Non-Executive Director of LondonMetric Property plc.

Angela Bromfield

SENIOR INDEPENDENT DIRECTOR

Date of appointment
01/04/2019

Length of service
3 years

Independent
Yes

Committee Membership

R (Chair) E (Chair) N

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

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

External appointments
Non-Executive Director of Marshalls plc and Churchill China plc.

Patrick O'Donnell Bourke

NON-EXECUTIVE DIRECTOR

Date of appointment
03/11/2020

Length of service
1 year 5 months

Independent
Yes

Committee Membership

A (Chair)

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

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

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

Key

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

Board of Directors and Company Secretary continued

Ruth Cooke

NON-EXECUTIVE DIRECTOR

Date of appointment
19/03/2019

Length of service
3 years 1 month

Independent
Yes

Committee Membership

N A

Skills and Experience
Ruth is currently Chief Executive of GreenSquareAccord, a housing association operating across the North, Midlands and South West. Before that, she was Finance Director (from 2008 to 2012) and then Chief Executive (from 2012 to 2018) of Midland Heart, a Birmingham-based housing association. Prior to that, she held senior finance and resourcing roles at Knightstone, a housing association based in the South West, and Anchor Trust, a provider of housing and care to those aged 55 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

Date of appointment
01/09/2020

Length of service
1 year 7 months

Independent
Yes

Committee Membership

R A

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

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

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

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

Martyn Bowes

NON-EXECUTIVE DIRECTOR

Representing the Pension Protection Fund

Date of appointment
24/03/2015

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

Length of service
7 years 1 month (9 years 1 month including appointment to HEPGL)

Independent
No

Committee Membership

E

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

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

Steven Underwood

NON-EXECUTIVE DIRECTOR

Date of appointment
02/08/2010

Length of service
11 years 8 months

Independent
No

Committee Membership
None

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

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

Chris Birch

GENERAL COUNSEL & COMPANY SECRETARY

Date of appointment
06/06/2016

Length of service
5 years 10 months

Independent
No

Committee Membership
Ⓓ

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

External appointments
None.

Key

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

Statement of Corporate Governance

The 2018 UK Corporate Governance Code (2018 Code)

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

Below we outline the primary areas the Board focused on during the year to ensure compliance with the main principles of the 2018 Code. A copy of the 2018 Code can be found on the Financial Reporting Council's website at www.frc.org.uk. The Company complied with the principles and provisions of the 2018 Code throughout the year ended 31 December 2021.

Code	What did we focus on in 2021?	How did it support our strategy?	See further
Board Leadership and Company Purpose	Whilst 2020 was largely about responding to the pandemic, in 2021 the Board supported the Senior Executive in formulating an updated strategy which underpins an ambitious plan to double the size of the Company.	The foundation for our strategy is Harworth's continuing long-term focus on generating sustainable new places. The Board is overseeing the implementation of the strategy which involves scaling up and accelerating the creation and delivery of sustainable new places where people want to live and work.	Statement of Corporate Governance, page 87
Division of Responsibilities	Following a period of intense operational oversight through the early stages of the pandemic, revisions to our Delegated Authorities Policy allowed for the Board to focus more of its time on strategic discussions and debate.	More time is afforded for the Board to review material strategic transactions and hold discussions which focus on purpose, stakeholder interests, alignment with the Harworth Way, and impact on the long-term success of the Group.	Statement of Corporate Governance, pages 89 to 93
Composition, Succession and Evaluation	An external review of the Board's effectiveness was undertaken in 2021, and the Board adopted a number of recommendations arising out of this review.	The review concluded that the Board was effective and had supported the Senior Executive effectively in the formulation of our ambitious growth strategy. The recommendations adopted by the Board will help enhance its performance in supporting the implementation of the strategy.	Statement of Corporate Governance, pages 98 to 99
Audit, Risk and Internal Control	The Board oversaw the review of our risk management system, and undertook a detailed review of the Group's principal risks.	The Board's review of principal risks was informed by the strategy review such that our principal risks reflect the shifts in our strategy, including the increase in our direct development activity. The Board conducts a regular overview of our principal risks as we launch into the strategy.	Strategic Report: Effectively managing our risk, pages 70 to 77 Audit Committee Report, pages 115 to 116
Remuneration	The Remuneration Committee undertook a detailed review of the Remuneration Policy, which included consultation with shareholders and engagement with our employees. The revised Policy will be tabled for approval at the 2022 AGM.	The Remuneration Policy review was informed by the strategy. Executive remuneration is aligned with strategic objectives and cascaded through the business to motivate our people to deliver the strategy and align the interests of employees and shareholders.	Directors' Remuneration Report, pages 121 to 137

Board leadership and company purpose

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"*. Following her appointment as Chief Executive, Lynda Shillaw led an extensive review of strategy during the first half of 2021, working closely throughout with the Board and wider business. How the Board supported the development of the strategy is illustrated below:

Strategy workshops (H1)

In the first half of 2021, the Board participated in a series of workshops to analyse and review different elements of a potential updated strategy, which included contributions from external consultants.

Strategy Day (July)

An updated strategy was approved by the Board at its Strategy Day in July 2021 alongside a strategic plan for the following five years. The strategy was communicated to shareholders alongside the 2021 interim results.

Ongoing strategy updates

In support of the strategy, the Board oversaw the formulation of a new people strategy, and reviewed the conclusions and recommendations from investor and stakeholder perception studies.

Review of Principal Risks (H2)

Informed by the strategy, the Board participated in several workshops to review the Group's principal risks, the Directors' appetite for each of those risks, and the adequacy of the measures in place to mitigate them.

Approval of Budget (November)

The Board reviewed and approved a draft budget for 2022, pending the outcome of 2021 results.

Our strategy is to reach £1bn of EPRA NDV over five to seven years starting from the end of 2020. It will require material shifts in the pace and scale of what we do, leveraging our specialist expertise to optimise the development of our significant consented landbank. The strategy is exciting and ambitious, building on the key attributes that have made Harworth successful to date, including its passionate, innovative and collaborative people, a landbank full of opportunities, and a commitment to creating sustainable communities, all of which contribute towards our aim to deliver long-term market-leading returns for investors.

The performance of the business is assessed by the Board throughout the year against the approved budget and strategic plan, with the Board satisfying itself as to the adequacy of management's response to variations in performance against the plan. Financial and operational reforecasts are presented to the Board quarterly and the Chief Executive, Chief Financial Officer, Chief Operating Officer and Chief Investment Officer give operational and financial updates at each Board meeting.

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:

The Harworth Values are embedded into the business through appraisals, the setting and scoring of bonus objectives, internal communications, and our programme of recognition. They were at the heart of our initial and ongoing response to Covid-19, by ensuring collaboration with each other and our external stakeholders, by remaining innovative during challenging times, and by continuing to "do the right thing" notwithstanding a long period of economic and social uncertainty. The Harworth values also underpin the delivery of our strategy.

Statement of Corporate Governance continued

It is essential to the Board that it understands, assesses and monitors the culture of the business. The Board undertakes this responsibility in the following ways:

- Meeting and engaging with staff in various formats, including employee lunches, site visits, regional team dinners, office visits and the Employee AGM. Not only are these opportunities for the Board to gain an insight into the working lives of its employees, they also allow staff to ask questions of, and raise any concerns with, the Board.
- Participation by Non-Executive Directors at the People Steering Group (PSG) meetings, who then report back to the whole Board.
- An annual review of employee engagement presented by the Head of People.
- A review of the annual employee survey results.
- Access to the quarterly staff newsletter which reports on key operational activity from the perspectives of employees.
- Feedback from the Chief Executive at each Board meeting on people and culture.
- Where there are departures at a senior level, the Board seeks to understand from the Senior Executive the motivations for, and impact of, those departures.

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. During 2021 and to support the strategy review, independent investor and stakeholder perception studies were undertaken, the results of which were presented to and reviewed in detail by the Board. The results were overwhelmingly positive, but identified some action points, such as the need to increase resources available to the regional teams for engagement with local stakeholders.

Our Strategic Report outlines how we engage with our key stakeholders and how the Board complies with its obligations in section 172 of the Companies Act (pages 44 to 47). When appraising projects and transactions, consideration of stakeholder interests is embedded into the Board's decision-making process, guided by our approval templates which require commentary on the purpose of projects and their impact on our stakeholders. For example, prospective acquisition appraisals typically include a detailed planning promotion strategy which explains how our teams will engage with local community stakeholders to seek to secure support for scheme proposals.

The Board recognises the importance of regular and open engagement with our investors. At the end of each year, the Board reviews and approves an investor relations plan for the following year. The Chief Executive, Chief Financial Officer and Head of Investor and Stakeholder Relations meet regularly with existing and prospective investors, and analysts, including after publication of the Company's full year and interim results. The Chair also meets periodically with our largest shareholders. During the period Harworth hosted four investor site visits, and later this year we will hold our Capital Markets Day which will include a tour of some of our sites in the Midlands region. In addition, at the end of 2021 our Senior Independent Director and Remuneration Committee Chair engaged directly with our largest shareholders and several proxy advisers for their views and feedback on the revised Remuneration Policy.

During the year we recruited Tom Loughran as our new Head of Investor and Stakeholder Relations. Tom reports to each Board meeting on investor engagement and feedback from the Company's brokers and both existing and prospective shareholders. He also reports on share price performance, trading volumes and material changes to the composition of the Company's share register. Copies of all notes prepared by analysts are also shared with the Board. During the period, we were pleased 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 The London and Amsterdam Trust Company, the Company's largest shareholder, continuing to increase its holding.

The Company has a planned programme of announcements throughout the year to ensure that investors remain updated regularly on progress in the business. It also reports to the market on material operational milestones, in particular significant site acquisitions and disposals and progress with obtaining planning 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.

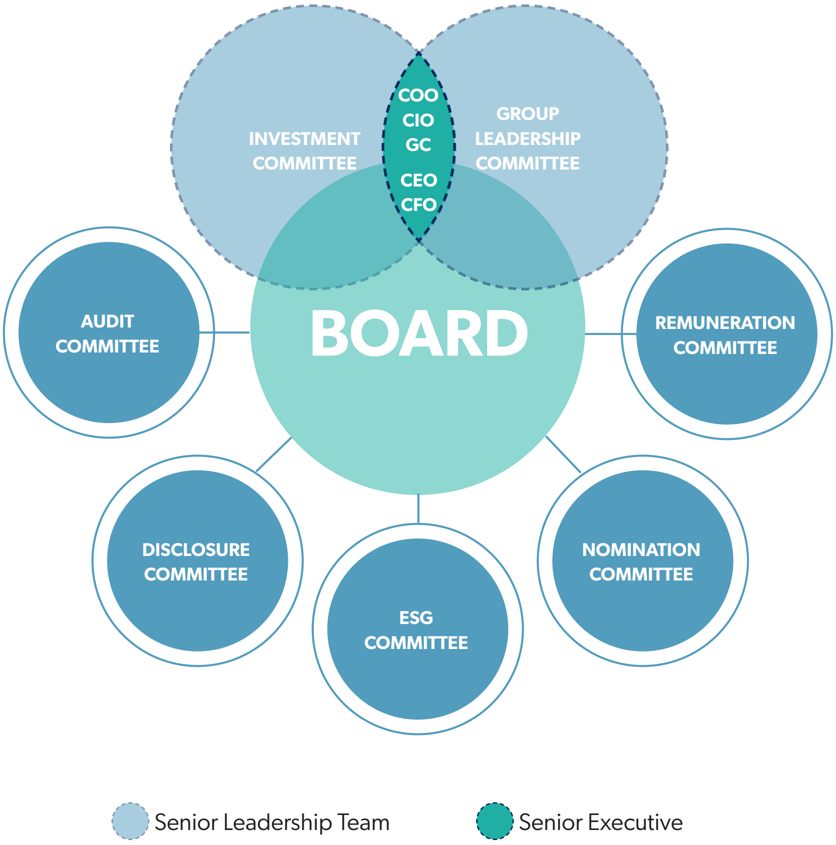
We are looking forward to welcoming shareholders in person to the 2022 AGM, having been forced to hold a closed AGM in 2020 and 2021 due to the restrictions on movement imposed during the pandemic. Nevertheless, on those occasions, shareholders were given an opportunity to pose written questions to the Board. 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 Leadership Team at an operational level. 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 review annually, led by the Company Secretary, to ensure that it keeps pace with Harworth's evolving business.

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

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



The key responsibilities of the Board, Committees and individual roles are summarised over the following pages. The roles and membership of Committees are as at the date of publication of this Annual Report.

Board of Directors

Role of the Board

See pages 82 to 85 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.
- Identifies, determines risk appetite, and assesses the effectiveness of mitigation measures for, the Group's principal risks.
- 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 and payments.
- Reviews and approves the Group's policies.
- Ensures the Company's strategy and projects deliver against ESG objectives.
- Promotes a culture that is aligned with the Company's purpose and strategy.
- Ensures appropriate engagement with employees, shareholders, 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.

Statement of Corporate Governance continued

Board reserved matters

Approval of corporate acquisitions and joint ventures	New or material changes to senior debt facilities	Oversight of ESG strategy and activities
Approval of all projects and material changes in project business plans, determined by appropriate financial thresholds	Remuneration Policy, remuneration of Directors and Senior Executive	Approval of accounts, valuations, financial reporting and dividends
Identification of, and review of mitigation measures for, the Group's principal risks	Setting strategy and approval of annual budget and strategic plan	Oversight of the performance of the business
Oversight of health and safety for all sites and projects	Board appointments; external appointments of Directors	Oversight of IT strategy including cyber and information security

The Board is supported by:

Board Committees

Audit Committee

Patrick O'Donnell Bourke (chair)
Ruth Cooke
Lisa Scenna

- Reviews the integrity of the annual report, full year and interim results announcements and any other announcements relating to financial performance.
- Reviews the Group's operational risks, the effectiveness of internal controls and processes, and the programme of further assurance activity.
- 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 and prevention of fraud, bribery and modern slavery.
- Reviews ongoing compliance with the General Data Protection Regulation.
- Reviews the effectiveness of the cyber and information security strategy and measures, and of business continuity plans and procedures.
- Reviews the Group's approach to all forms of tax.

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 Senior Executive.
- Reviews the remuneration approach adopted for all employees.
- Approves grant of options and awards 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.

Board Committees

Nomination Committee

Alastair Lyons (chair)
Angela Bromfield
Ruth Cooke
Lynda Shillaw

- Reviews the size, composition and balance of the Board and its Committees.
- Oversight of succession planning for the Board and Senior Executive.
- Leads the process for Board appointments.
- Oversight of progress in improving diversity across the business.
- Reviews proposals for external appointments of Directors.

ESG Committee

Angela Bromfield (chair)
Alastair Lyons
Martyn Bowes
Lynda Shillaw
Kitty Patmore

- Oversees the Group's ESG strategy, including ESG targets and KPIs.
- Reviews ESG policies, processes and initiatives.
- Reviews the measurement of progress towards ESG targets.
- Oversees the effectiveness of internal and external communications and engagement on ESG matters.

Disclosure Committee

Kitty Patmore (chair)
Lynda Shillaw
Chris Birch

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

Management Committees

Investment Committee

Lynda Shillaw (chair)
Kitty Patmore
Chris Birch
Andrew Blackshaw (Chief Operating Officer)
Jonathan Haigh (Chief Investment Officer)
Chris Davidson (Joint Yorkshire and Central Regional Director)
Ed Catchpole (Joint Yorkshire and Central Regional Director)
Steven Knowles (North West Regional Director)
David Cockroft (Midlands Regional Director)
Tim Love (Central Services Director)
Haroon Akram (Head of Strategy and Business Development)
Peter Henry (Director of Sustainability)
Dougie Maudsley (Group Financial Controller)

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

Group Leadership Committee

Lynda Shillaw (chair)
Kitty Patmore
Chris Birch
Andrew Blackshaw (Chief Operating Officer)
Jonathan Haigh (Chief Investment Officer)
Chris Davidson (Joint Yorkshire and Central Regional Director)
Ed Catchpole (Joint Yorkshire and Central Regional Director)
Steven Knowles (North West Regional Director)
David Cockroft (Midlands Regional Director)
Tim Love (Central Services Director)
Haroon Akram (Head of Strategy and Business Development)
Peter Henry (Director of Sustainability)
Dougie Maudsley (Group Financial Controller)
Tom Loughran (Head of Investor and Stakeholder Relations)
John Hind (Head of Risk and Compliance)
Catherine Macdonald (Head of People)
Stefan Morgan (Technical Director)
Andrea Morley (Asset Management Director)
Chris Warren (Natural Resources Director)
David Elliott (Building Delivery Director)
James Crow (Head of Mixed Tenure)
Qasim Mohammed (Head of Legal)
Lucie Blunt (Head of Technology and Systems)
Dan Needham (Development Director)

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

Statement of Corporate Governance continued

Responsibilities of the Board and Senior Executive

ALASTAIR LYONS
Chair

- 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 Senior Executive.
- 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.

LYNDA SHILLAW
Chief Executive

- Leads on the formulation of strategy which, once agreed by the Board, falls to the Chief Executive 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 Group Leadership Committee.
- 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 and objectives, including leading on the formulation of ESG targets.

KITTY PATMORE
Chief Financial Officer

- Leads on all financial matters, including tax and treasury.
- Responsible for preparing the annual budget, strategic plan and reforecasting.
- Responsible for all statutory financial reporting, including the preparation of the interim and year-end financial statements and Annual Report.
- 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 the monitoring of performance against the Company's ESG targets.
- Responsible for ensuring clear, effective, and timely measurement and reporting of financial and non-financial key performance indicators to the Board.
- Responsible for internal financial controls, systems and processes.

ANDREW BLACKSHAW
Chief Operating Officer

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

JONATHAN HAIGH
Chief Investment Officer

- Responsible for the expertise, support and resources provided by our Technical, Natural Resources and Asset Management teams to the regional teams.
- Responsible for management of our Investment Portfolio, including strategic disposals.
- Leads on M&A, portfolio and strategic acquisitions and projects.
- Oversight of the direct development programme across the portfolio.
- Jointly responsible, with the Chief Operating Officer, for ensuring that the regional teams work effectively alongside our central support teams.
- Jointly with the Chief Operating Officer, leads the half-year and year-end valuation process.

ANGELA BROMFIELD
Senior Independent Director

- 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.

CHRIS BIRCH
General Counsel and
Company Secretary

- 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.
- Prepares Board and Committee agendas and collates and distributes papers.
- Available to advise the Directors on all legal and compliance matters.
- Leads on arranging inductions for, and continuous professional development of, Directors.
- Responsible for governance, both at Board and operational levels, including non-financial internal controls, systems and processes.
- Leads on risk management.
- Leads our Risk and Compliance team which is responsible for health and safety assurance on all sites and projects, environmental compliance, renewal and administration of our insurance programme and business continuity planning.
- Leads the Technology and Systems team which is responsible for our IT strategy and the effectiveness of our technology and systems, including cyber and information security, and GDPR compliance.
- Leads the In-house Legal team which provides legal support on operational matters and manages the external legal panel.

Statement of Corporate Governance continued

Board and Committee meetings[1]

	Meetings attended				
	Board	**RemCo**	**AuditCo**	**NomCo**	**ESGCo**
Alastair Lyons	11/11	6/6		1/1	4/4
Lynda Shillaw	11/11			1/1	4/4
Kitty Patmore[2]	9/11				2/4
Angela Bromfield	11/11	6/6		1/1	4/4
Ruth Cooke	10/11		5/5		
Lisa Scenna	11/11	6/6	5/5		
Patrick O'Donnell Bourke	11/11		5/5		
Steven Underwood	11/11				
Martyn Bowes	11/11				3/4

[1] There were 11 scheduled Board meetings, including the Strategy Day, during 2021. There were also Board calls to sign off the trading statements, 2020 preliminary results and 2021 interim results, and to approve certain transactions, which are not reflected in the table above.

[2] Kitty Patmore went on maternity leave at the start of October 2021. Nigel Turner attended Board meetings as Interim Chief Financial Officer but was not appointed a statutory director.

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, Company Secretary, Head of Investor and Stakeholder Relations and Head of Risk and Compliance; and quarterly reports from the Chief Operating Officer and Chief Investment Officer.

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

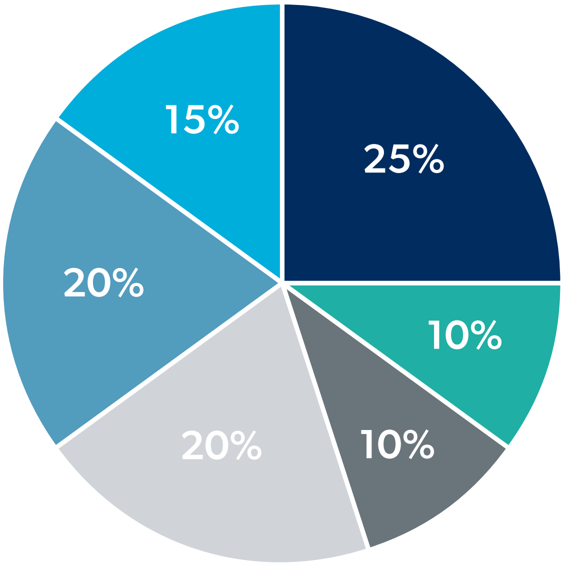
Key Board activities in 2021

	Key activities and discussions	**Outcomes**	**Future priorities**	**Stakeholders considered**
Our strategy	The Board, with the Senior Executive, participated in a series of workshops to review different elements of the strategy. The strategy was approved at the Board Strategy Day in July 2021.	Our updated strategy to reach £1bn of EPRA NDV over five to seven years starting from December 2020 was announced alongside our interim results in September 2021.	The Board will monitor, and support the Senior Executive in, the delivery of the strategy.	All stakeholders as set out in our s.172 statement (pages 44 to 47).
ESG approach	An ESG Committee was established to oversee the development of an ESG strategy.	The ESG Committee: • reviewed the alignment of the UN Sustainable Development Goals with The Harworth Way; • set targets to achieve Net Zero Carbon; and • approved the Company's first disclosures under the TCFD requirements.	• Ensure alignment between our ESG commitments and the Group strategy. • Develop Harworth's pathway to transitioning our business and portfolio to Net Zero Carbon. • Oversee evolution of our ESG data collection and reporting.	• Our people • Communities we deliver schemes to

	Key activities and discussions	Outcomes	Future priorities	Stakeholders considered
Risk management	There was a detailed review and overhaul of the Group's risk management system and review of the Company's principal risks, informed by our strategy.	• The Board identified, set its risk appetite for, and reviewed the risk profiles of, our principal risks. • The Audit Committee oversaw the formation of the Group Risk and Assurance Map and approved the first iteration of the Further Assurance Programme.	• The Board will review the status of the principal risks monthly and undertake a more detailed review biannually (or if there are significant movements in risk profile at any time). • The Audit Committee will monitor the effectiveness of the new risk management system and Further Assurance Programme. As the business grows it will also monitor whether an internal audit function is required.	Our redefined risk categories take account of all stakeholders as set out in our s.172 statement (pages 44 to 47).
Remuneration Policy	Review of the Remuneration Policy, including consultation with shareholders and engagement with our employees.	Revisions have been made to the Remuneration Policy informed by our strategy and feedback from shareholders.	• We will seek shareholder approval of the revised Remuneration Policy at our 2022 AGM. • Subject to approval, the Board will oversee implementation of the Policy, including its application to the wider workforce.	• Our people • Investors
Employee engagement	The Board met and engaged with staff in various formats, including employee lunches, site visits, regional team dinners, office visits, attendance at PSG meetings and the Employee AGM.	When Covid-19 restrictions permitted, the Board re-engaged with the business in person. This was particularly important following the appointment of two new Non-Executive Directors and the recruitment of new employees over the periods of lockdown.	We will continue to explore ways of optimising Board engagement with employees.	• Our people
External Board effectiveness review (see pages 98 to 99)	The Board participated in an independent review of its effectiveness.	Harworth was found to have an effective Board, with suggested recommendations to enhance the Board's performance. The Board held a dedicated session to review the recommendations.	Implementation and tracking of the agreed recommendations to enhance the Board's performance.	The Board has agreed actions to enhance its performance and for better decision making to benefit all stakeholders as set out in our s.172 statement (pages 44 to 47).

Statement of Corporate Governance continued

How the Board spent its time this year



Key:

● ***Strategy***
During 2021, the Board participated in several strategy review workshops leading up to the Strategy Day in July. This was followed by ongoing strategy updates.

● ***People and culture***
Includes the Board's review of talent management and people development, as well as Board/employee engagement activities.

● ***Stakeholder engagement (excluding people)***
The Board reviewed trading statement updates throughout the year, feedback from investor and stakeholder perception studies, feedback from the results roadshows and an investor relations plan for the following year.

● ***Risk management***
The Board oversaw the review of the Group's risk management system and engaged in several risk workshops to review the Group's principal risks.

● ***Financial***
The Board monitored performance against the budget, reviewed and approved a budget for 2021 as well as the results announcements.

● ***Operations and governance***
As per the Delegated Authorities Policy, the Board appraised all new project business cases and significant transactions.

Key areas of Board focus in 2022

Oversight of implementation of our strategy	Oversight of development of ESG strategy and setting of ESG targets	Implementation of new Remuneration Policy
Our people: oversight of implementation of people strategy to support delivery of the business strategy, including: recruitment, engagement, welfare, talent development and diversity	Implementation of outcomes of external Board evaluation	Oversight of implementation of new risk management and internal controls systems

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.

During the year, the Board approved Patrick O'Donnell Bourke's appointment as a Non-Executive Director of Pantheon Infrastructure plc.

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 2021.

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 and/or may pursue certain acquisition opportunities in competition with Harworth. Steven has previously declared by way of general notice, and the Board has approved, a potential conflict of interest in that regard. During 2021, Harworth sold non-core land to a company of which Steven was a director and entered a bidding process to acquire a strategic land site which the Peel Group also targeted. These represented an actual conflict of interest for Steven and, as such, he did not have sight of any Board papers, and was not party to any Board discussions or decision-making, on these matters.

INDUCTION AND ONGOING SUPPORT

Inductions

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

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

Knowledge of business and markets

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

- site visits, which help to improve knowledge and understanding of key projects and, at the same time, are an opportunity for Non-Executive Directors to get to know better our operational teams. We were very pleased to resume site visits from June 2021.
- annual health and safety updates from the head of our Risk and Compliance division (supplemented by monthly updates included in each Board pack); and
- regular updates from each of the regional and functional teams, focusing on progress against strategic objectives, markets and resourcing and including project-specific reviews.

Ongoing support and CPD

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

- external CPD briefings are made available to Directors, with a short synopsis prepared by the Company Secretary;
- external advisers host CPD workshops for the Board and Committees;
- the Company Secretary provides written and verbal updates to the Board and its Committees, as appropriate, on governance and regulatory changes;
- Directors are made aware of, and have the opportunity to attend, external CPD updates.

Statement of Corporate Governance continued

Composition, succession and evaluation

Board evaluation

The Board undertakes annual evaluations of its effectiveness and of the contribution of individual Directors. The Company aspires to membership of the FTSE 250 and, as such, the Board considers it good practice to instruct an externally facilitated evaluation every three years, as prescribed by the 2018 Code for FTSE 350 companies. The Chair conducted internal evaluations in 2019 and 2020, and the outcomes of some of the agreed actions from the 2020 review are listed below:

2020 internal evaluation		
Theme	**Actions agreed**	**Outcomes**
Stakeholder engagement	More use should be made of existing relationships held by Non-Executive Directors with key stakeholders.	Where there are issues which would benefit from external input or support, the Non-Executive Directors are asked if they have relevant relationships. By way of example, our Chair's relationships with senior individuals in the insurance sector have facilitated our engagement with certain insurers during a period of hard insurance market conditions.
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.	Actioned in early 2021 with an overhaul of the Delegated Authorities Policy. This has provided more time for strategic discussions by the Board, whilst giving it visibility on, and the opportunity to ask questions about, operational decisions by the Investment Committee.
Board meetings	The frequency of Board meetings should remain subject to review, and consideration should be given to whether meetings could be occasionally restructured 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 restructured schedule of meetings has been implemented from 2022 and is organised to coincide with regional site visits. During 2021, smaller Board workshops were held to discuss the 2020 Board effectiveness evaluation, the strategy review, and principal risks. The Board will keep under review other topics that would benefit from a smaller group discussion.
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.	Full year and interim results investor presentations have been shortened to focus on key messages, particularly with respect to the updated strategy, and to improve financial disclosures.
Internal controls	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 this to the Board.	During 2021, our risk management system was overhauled with the development of a new Group Risk and Assurance Map: a register of our principal and operational risks incorporating risk scores, mitigation measures, key risk indicators and Board assurance activity. The Map is reviewed by the Audit Committee ahead of the full year and interim results announcements, and informs the Committee's assessment of the effectiveness of the Group's internal control framework.

2021 external Board effectiveness review

In 2021, an external evaluation process was led by an independent assessor, Ian White. Whilst Ian also undertook the Company's previous external evaluation in 2018, other than supporting Harworth on the update to its risk management system referred to above, he has no other connection with the Group. The objectives of the evaluation were to:

- focus on the dynamics of the Board and Committees to provide an assessment, from an independent perspective, of their effectiveness;
- make practical suggestions for enhancements; and
- establish a clear set of actions and objectives for the Board to prioritise and focus on in 2022 and beyond.

External evaluation process and outcomes

In carrying out his review, Ian White undertook the following:

September – November 2021

Online questionnaire sent to all Directors and regular Board attendees, focusing on:

- Board and Management composition
- Board role, expertise and understanding of the business
- Executive Team
- Strategy
- Board dynamics and culture
- Management of Board and Committee meetings
- Board papers, presentations and support
- Risk management
- Leadership of the Board
- Succession planning
- Board priorities

Interviews with each respondent to the questionnaire, and meetings with selected employees who interact frequently with the Board

Review of Board and Committee papers and other relevant information, e.g. Delegated Authorities Policy and Terms of Reference

Observation of Board and Committee meetings

Assessment of progress since previous Board reviews

December 2021 – January 2022

Written report, including an assessment of Board effectiveness and a list of recommendations for enhancement.

The review found that the Company has an effective Board and one which is continuously improving. The report highlighted the following characteristics of the Harworth Board:

- Collegiate with trust and respect between its members, and an appropriate balance of challenge and support and little evidence of groupthink.
- A good range of skills covering many of the areas the Company requires for its current operation and future direction. Board members are engaged and work well both together and with the Senior Executive.
- Effective decision maker which prioritises well and takes the interests of its major stakeholders into account.
- Whilst detailed on occasion, the Board has transitioned well in a time of change and was well positioned to do so in the future to meet the Company's change agenda.

January 2022

Facilitated session at a Board meeting to review the report, discuss the recommendations and agree an action plan.

The following recommendations were, among others, identified as areas on which the Board might focus in 2022 and beyond to enhance its effectiveness. Alongside each recommendation are actions identified to implement the same:

2021 external evaluation

Theme	Actions agreed
Diversity	When succession planning, the Board should keep diversity, defined in its widest sense, as an area of focus and be open to recruiting a Non-Executive Director with different skills and experience.
Board papers and debate	• The executive summary in Board approval papers should identify clearly the main factors for Board consideration and the action required. • Time should be scheduled at the end of each Board meeting for a short discussion about the quality of debate on the agenda items as well as the quality and effectiveness of the Board papers supporting these items.
Material decisions	To track the effectiveness of its decisions, the Board should determine, at the end of each meeting, which material decisions should be revisited in the future.
Board meetings	The frequency and format of meetings and structure of the annual Board timetable to be reviewed regularly by the Chair, Chief Executive and Company Secretary to identify areas for Board and Committee efficiency.
Engagement with stakeholders	As part of the stakeholder mapping exercise, there should be engagement with the Non-Executive Directors to understand how their relationships could support and strengthen further engagement with some external stakeholders.
Financial reporting and forecasting	Continuous improvement in financial reporting including enhancements to corporate modelling and longer-term financial forecasting.

Statement of Corporate Governance continued

An evaluation of the Chair's performance is led annually by the Senior Independent Director. For the reporting period, in addition to the feedback given on the Chair's leadership during the external Board evaluation, the Senior Independent Director met with our other Non-Executive Directors and the Senior Executive earlier in the year (February 2021) to review the Chair's performance. Following that review, the Senior Independent Director considered and discussed with the Chair the comments and feedback received from the Directors and was able to confirm that the performance of the Chair was considered effective and that he continued to demonstrate appropriate commitment to his role.

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

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

Annual General Meeting

The Annual Report and Financial Statements and Notice of AGM are sent to shareholders at least 20 working days before the meeting. Covid-19 restrictions permitting, the Board encourages shareholders to attend, participate and exercise their right to vote at the 2022 AGM on 24 May 2022, particularly given the Company was forced to hold closed AGMs in 2020 and 2021 due to the Covid-19 restrictions then in place.

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

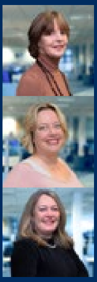
Separate resolutions are proposed on each substantially separate issue. All Directors attend the AGM and are available to answer questions, both formally during the meeting and informally both before and after the meeting. The Board encourages questions from shareholders.

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

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

ALASTAIR LYONS
Chair
21 March 2022

Nomination Committee Report



Committee members

Alastair Lyons (Chair)
Angela Bromfield
Ruth Cooke
Lynda Shillaw

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

Dear Shareholder,

I am pleased to report to shareholders on the work of the Nomination Committee during the year ended 31 December 2021. The report sets out the Committee's activities during 2021 and its priorities for 2022, which focus on reviewing Board and Committee composition and succession planning, and the Committee's oversight of diversity and inclusion across the business.

The Committee's terms of reference were reviewed and re-approved during the period and are available on the Company's website. Throughout 2021 the Committee acted in accordance with the principles of, and fulfilled its obligations under, the 2018 Code.

Membership and meetings

There were no changes to Committee membership during the period: I continued to chair the Committee, and its other members were Angela Bromfield and Lynda Shillaw. At its meeting in October 2021, the Committee reviewed its membership and resolved to recommend that an additional independent Director be appointed to the Committee. The appointment of Ruth Cooke was subsequently recommended to, and approved by, the Board. Her appointment took effect, and was announced, on 25 January 2022.

The Committee held one scheduled meeting during the period to review succession and development planning for the Board and Senior Executive and to review the effectiveness of the initiatives in place to improve diversity throughout the business. The Committee, alongside the Audit Committee Chair, also had oversight of the appointment of Nigel Turner as interim Chief Financial Officer for the period of Kitty Patmore's maternity leave.

Membership and attendance at meetings in 2021 are shown below:

		Independent	**Committee tenure at 31 December 2021**	**Scheduled meetings attended/eligible to attend**
Alastair Lyons	Chair	Yes	3 years 10 months	1/1
Angela Bromfield	Member	Yes	2 years	1/1
Lynda Shillaw	Member	No	1 year 2 months	1/1
Ruth Cooke (joined the Committee in January 2022)	Member	Yes	–	–

The Committee's key activities in 2021

The key activities of the Committee during 2021 are shown below:

Recruitment	Board composition and succession	Diversity	External appointments

Review of Board and Committee composition
Review of proposed external appointment for Patrick O'Donnell Bourke
Review of succession plans for the Board and Senior Executive
Review of progress to improve diversity across the business
Oversight of the recruitment process for interim Chief Financial Officer to cover Kitty Patmore's maternity leave

The Committee's priorities for 2022

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

Board and Committee composition and succession planning

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. Angela Bromfield continued in the role of Senior Independent Director during the period.

In September 2021, the Committee and Audit Committee Chair oversaw the appointment of Nigel Turner as interim Chief Financial Officer. Nigel undertook Kitty Patmore's responsibilities whilst she was on maternity leave, but was not appointed as a statutory director, so is not included in the analysis of Board composition on the following page.

The composition of the Board and its Committees is reviewed regularly by the Committee to ensure that, in each case, its membership comprises appropriate diversity and balance of skills, knowledge, and experience and includes the right number of independent Directors. That review takes account of output from the annual Board evaluation. Having regard to all these considerations, the Committee considers that the composition of the Board is appropriately balanced, and we are proud of the gender balance we have achieved. However, the Committee is mindful of the benefits afforded by diversity, in its widest sense, both in the boardroom and across the business. It recognises there is more work to do with respect to ethnic minority representation on the Board albeit the Committee has assessed there is no short-term need to appoint an additional director to the Board, given the short tenures of existing independent Non-Executive Directors. Analysis of diversity on the Board, and across the workforce, is detailed later in this report.

Membership of our Committees complies with the 2018 Code. The Non-Executive Directors have no financial or contractual interests in the Group, other than interests in ordinary shares as disclosed in the Directors' interests section of the Directors' Remuneration Report at page 149.

Analysis of the composition of the Board (at the date of this report) is shown below. The Directors' biographies appear on pages 82 to 85.

Nomination Committee Report continued

Board

Composition

	Male	Female
Chair	●	
Exec Directors		●●
Independent NEDs	●	●●●
Non independent NEDs[1]	●●	

Age

	Male	Female
30-40 years		●
41-50 years	●	●
51-60 years	●	●●●
61-70 years	●●	

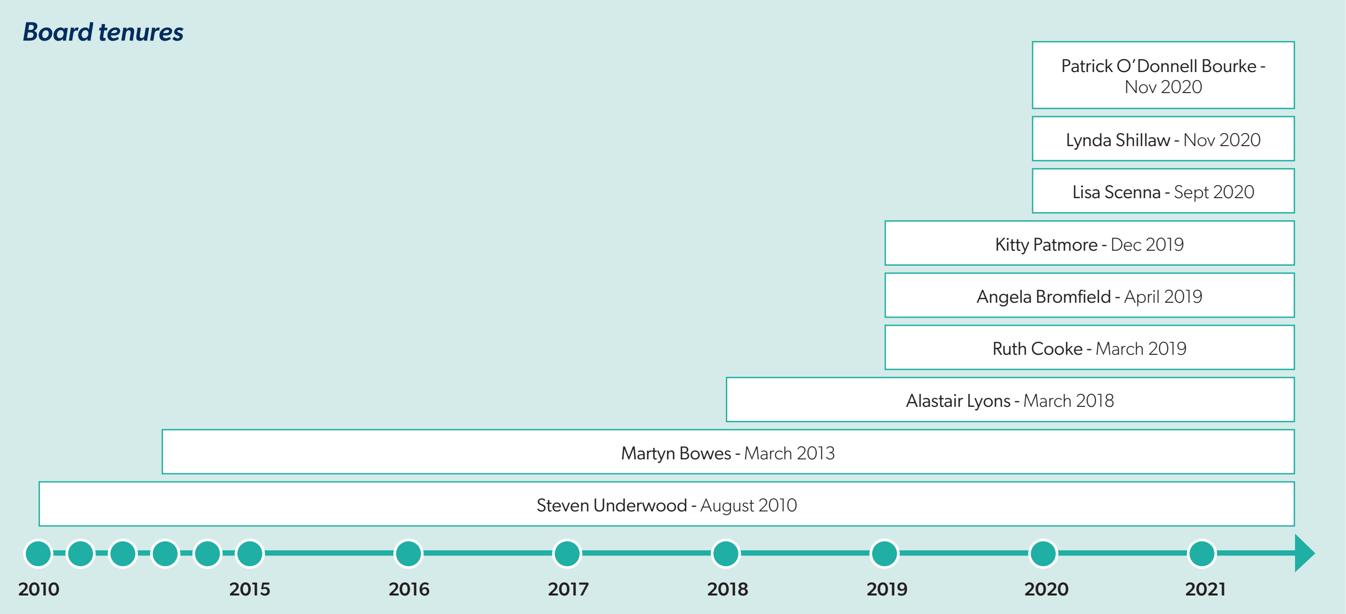
Tenure

	Male	Female
1-3 years	●	●●●
3-6 years	●	●●
6-10 years	●	
Over 10 years	●	

● One Director ● One Director

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

Board Succession



During the period, the Committee undertook a review of the succession plans for Executive and Non-Executive Directors. Given that the Committee had focused on refreshing the Board significantly over the previous two years this was a relatively light review. Board members appointed in 2020 had joined Harworth in a remote working environment and the Board was therefore very pleased to resume in-person meetings and site visits in the second half of the year to support collaboration and engagement with each other and the business as a whole.

External appointments

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

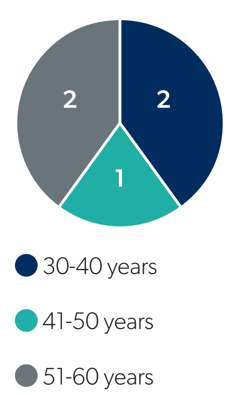
During 2021 the Committee reviewed the proposed appointment of Patrick O'Donnell Bourke as a Non-Executive Director and Audit Committee Chair of Pantheon Infrastructure plc. This appointment was recommended to, and approved by, the Board.

Senior Executive

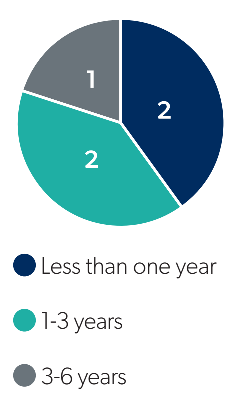
Succession plans are in place for each member of the Senior Executive and those plans are reviewed regularly (typically annually) by the Committee. Talent management and succession planning for the whole business is considered annually by the Investment Committee and then by the Board.

Analysis of the composition of the Senior Executive (at the date of this report) is shown below.

Age



Tenure



Diversity, inclusion and equal opportunities

The Board recognises the benefit of a diverse (in its widest sense) Board and workforce comprising individuals with different backgrounds, experience, perspectives and ideas. In common with much of the real estate and construction sectors, achieving that objective remains a 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 our not being obliged to, as the Board feels it is important to have a transparent benchmark against which to measure our progress. We publish the same analysis again in respect of 2021 here, alongside the comparative results for 2020.

Gender pay gap analysis

In each case the reference point is 31 December.

Proportion of men & women in each quartile band

		Males	Females
Lower quartile	2021	**43%**	**57%**
	2020	53%	47%
Lower middle	2021	**61%**	**39%**
	2020	53%	47%
Upper middle	2021	**65%**	**35%**
	2020	72%	28%
Upper quartile	2021	**87%**	**13%**
	2020	88%	12%

Gender Pay Gap Reporting	2021	2020
Mean gender pay gap	**16%**	9%
Median gender pay gap	**34%**	30%
Mean bonus gender pay gap	**-4%**	43%
Median bonus gender pay gap	**67%**	68%

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

During 2021, there was an increase in the number of female employees across the lower, upper middle and upper quartile bands as we increased recruitment to support our growth strategy. The most substantial increase in numbers of female employees was in the lower quartile band, which has driven the increase in our mean and median gender pay gap measures. Notwithstanding the progress made across the business, we recognise we have more to do to improve female representation at senior management levels.

The significant reduction in our mean bonus gender pay gap measure is due to this being the first year in which the bonuses paid to both Lynda Shillaw and Kitty Patmore have been reflected. Our commitment to gender representation at the most senior level is championed through our two female Executive Directors. However, as the organisation continues to grow, we are aware of the need to accelerate gender rebalancing across the workforce.

Nomination Committee Report continued

Promoting a diverse workforce

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

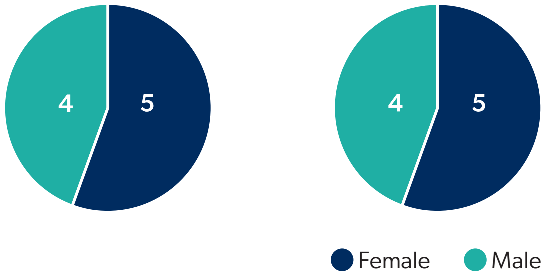
Measures previously established	Measures established in 2021
• Adoption of a new Diversity and Equal Opportunities policy in 2018 which addresses diversity more explicitly, gives it the prominence it merits, and reflects the proactivity with which the Board is looking to address the diversity challenge. • Diversity is an active and important consideration in the Committee's succession plans for the Board and Senior Executive: this is evident from appointments to both executive and non-executive roles on the Board in recent years. • Whilst appointments will always be based on merit, Harworth is committed to giving everyone, regardless of gender, ethnicity, sexuality or background, every opportunity to apply for, and be appointed to, roles across the business and, as such, the desire to encourage diversity is a prominent consideration when we are recruiting for all roles. To that end, the requirement for diversity is a pre-condition of candidate long-lists prepared by recruitment consultants where possible. • We have an established Talent Development Programme which, amongst other things, is designed to create strong internal succession wherever appropriate. • Five of our employees (5.1%) work part-time, whether that be a reduced number of days or reduced hours every day.	• Given the nature of our business, measures were already in place ahead of the Covid-19 outbreak to facilitate remote working. This was codified into a new Hybrid Working policy and a Core Business in Core Hours policy, which recognise the benefits of different working patterns and practices to accommodate the different personal commitments of our employees. These policies open up roles to a wider range of internal and external candidates regardless of their personal circumstances. They are accompanied by hybrid working training for all employees, as well as a risk assessment to ensure our staff are fully supported in working remotely. • We have substantially enhanced our maternity, adoption and paternity leave and pay policies. We are proud of our progressive stance in this area. • We launched an Employee Assistance Scheme to improve our employee wellbeing offer, which was particularly important during the pandemic lockdowns and continues to offer support. • We introduced diversity and inclusion training for all employees.

Assessing the diversity of our workforce

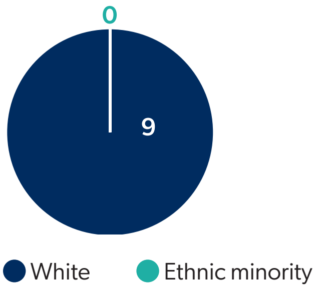
For consistency, where comparisons are given between 2021 and 2020, in each case the position reflected is at 31 December.

Board

Gender balance

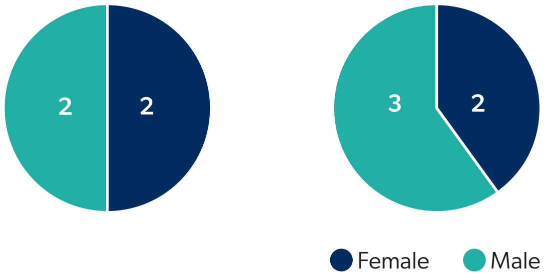

2020
2021

Ethnic diversity balance

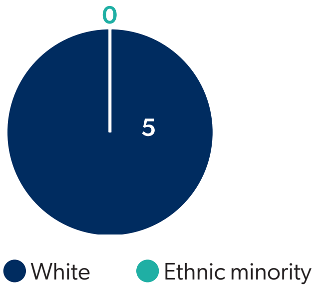

2021

Senior Executive Team

Gender balance

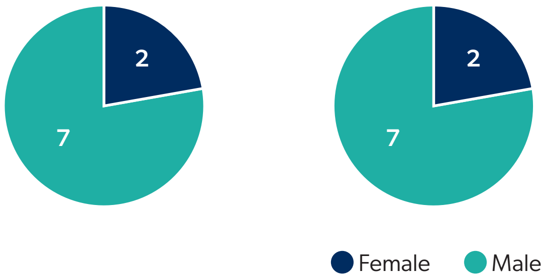

2020
2021

Ethnic diversity balance

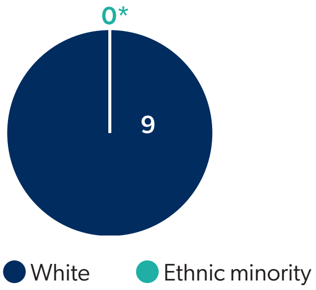

2021

Investment Committee

Gender balance


2020
2021

Ethnic diversity balance

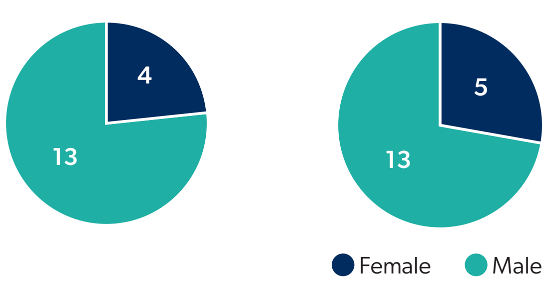

2021

*In January 2022 our new Head of Strategy, Investment and Business Development, who is from an ethnic minority group, joined the Investment Committee

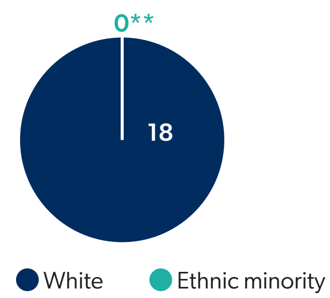
Nomination Committee Report continued

Group Leadership Committee*

Gender balance



Ethnic diversity balance

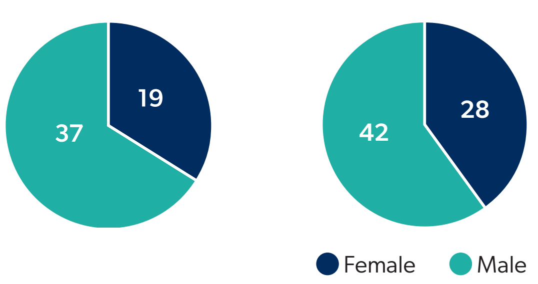


*The 2020 comparison is with the previous Management Board which was replaced by the Group Leadership Committee

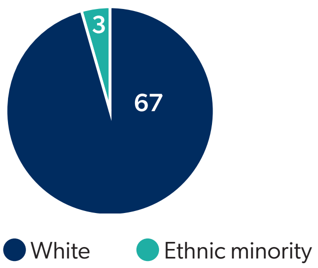
** In January 2022 our new Head of Strategy, Investment and Business Development and Head of Legal, who are both from ethnic minority groups, joined the Group Leadership Committee

Wider workforce†

Gender balance



Ethnic diversity balance



†Excludes the Group Leadership Committee.

Recruitment into new roles

Promotions

Recruitment into replacement roles

Gender diversity

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

Ethnic diversity

We are also mindful that, whilst we have made a start with regard to ethnic diversity in the business, including on the Group Leadership Committee, we have much further to go in this regard. This is our first year reporting on the ethnic diversity split in the business, and with a new people strategy to support the business strategy and the Committee's continued oversight of diversity and inclusion, we hope to improve the figures year on year.

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

Equal opportunities for all

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

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

Annual General Meeting

All Directors are subject to annual re-election by shareholders. The Directors' biographies appear on pages 82 to 85. The Committee has concluded that all Directors seeking re-election continue to be effective and to demonstrate commitment to their role. They have the requisite skills, knowledge and experience to continue to discharge their duties effectively. The Board considers that each Director provides valuable input to the operation of the Board and that their contribution is important to the Company's long-term sustainable success, bringing a diverse range of skills from different sectors and experience. As such, on the recommendation of the Committee, the Board considers it appropriate to propose the re-election of all Directors at the AGM to be held on 24 May 2022. I will be available at the meeting to respond to any questions or discuss matters relating to the Committee's activities.

ALASTAIR LYONS
Chair of the Nomination Committee
21 March 2022

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/

Dear Shareholder,

I am pleased to report to shareholders on the work of the Audit Committee during the year ended 31 December 2021. The report sets out the Committee's responsibilities and highlights its activities during 2021 and its priorities for 2022.

The Committee's terms of reference, which were reviewed and updated during the period, are available on the Company's website. Throughout 2021 the Committee acted in accordance with the principles of, and fulfilled its obligations under, the 2018 Code and had regard to the FRC's Guidance on Audit Committees.

Membership and meetings

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

The experience of each member of the Committee is summarised on pages 83 to 84. The Board is satisfied that I have recent and relevant financial experience. In November 2021, I was appointed Chair of the Audit Committee of Pantheon Infrastructure PLC, an investment trust focused on international infrastructure assets. I was previously Chair of the Audit and Risk Committee of Calisen plc, which was then a constituent of the FTSE 250, as well as Chair of the Audit Committee of Affinity Water Limited. My most recent executive position was that of Group Finance Director for John Laing Group plc. I am a chartered accountant, and so too are Ruth Cooke and Lisa Scenna. The Board is also satisfied that the Committee has competence relevant to the sectors in which the Company operates, given that I have extensive experience in infrastructure investment and management, Lisa Scenna has a strong background in real estate development and asset management, and Ruth Cooke is the Chief Executive Officer of a business operating in the real estate sector.

The Chief Executive, Chief Financial Officer and external auditors normally attend Committee meetings. The Chair of the Board and other members of senior management are also invited to attend, as appropriate. In September 2021, Kitty Patmore, Chief Financial Officer, took maternity leave. As Chair of the Audit Committee, I worked with the Nomination Committee on the recruitment and appointment of Nigel Turner as Interim Chief Financial Officer.

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

During 2021, there were five scheduled meetings of the Committee. Membership and attendance at meetings in 2021 are shown below:

		Independent	Committee tenure at 31 December 2021	Meetings attended/ eligible to attend
Patrick O'Donnell Bourke	Chair	Yes	1 year 2 months	5/5
Ruth Cooke	Member	Yes	2 years 10 months	5/5
Lisa Scenna	Member	Yes	1 year 2 months	5/5

The key activities of the Committee during 2021 and its priorities for 2022 are shown below:

The Committee’s key activities in 2021

February

- 🔵 Initial review of going concern analysis
- 🔵 Review of valuations
- 🔵 Review of movements in provisions
- 🔵 Draft of 2020 preliminary results
- 🔴 Forward-looking Committee timetable

March

- 🔵 Updated going concern analysis
- 🔵 2020 preliminary results and recommendation to the Board
- 🔵 2020 Annual Report and Financial Statements
- 🟠 External audit of 2020 accounts
- 🟣 Proposals to update risk management system
- 🟣 Review of whistleblowing reports
- 🔴 Forward-looking Committee timetable

June

- 🟠 2020 audit de-brief and review of auditor’s appointment (without auditor present)
- 🔵 Areas of focus for 2021 interim results
- 🟣 Annual review of appointments of valuers and appointment of valuer for half-year opinion on Directors’ valuation
- 🟣 Update on risk management system changes
- 🟣 Briefing on BEIS consultation proposals for UK audit reform
- 🟣 Bi-annual review of cyber and information security activities and workstreams for remainder of year
- 🔵 Approval of new auditor of subsidiary management company accounts
- 🔴 Forward-looking Committee timetable

September

- 🟠 Feedback from external auditor (without management present)
- 🔵 Going concern analysis
- 🔵 Review of valuations
- 🔵 Review of movements in provisions at the half-year
- 🟠 External auditor’s report on 2021 interim results
- 🔵 2021 interim results and recommendation to the Board
- 🔴 Forward-looking Committee timetable

November

- 🟠 Planning for 2021 external audit
- 🟣 Risk and assurance map and further assurance programme
- 🟣 2022 insurance programme renewal
- 🟣 Update on preparation of Treasury Policy
- 🟣 Bi-annual review of cyber and information security activities and workstreams for H1 2022
- 🟣 Report on annual test of IT Disaster Recovery Plan
- 🟣 Annual review of GDPR compliance
- 🔴 Annual review of Committee’s terms of reference
- 🔴 Forward-looking Committee timetable
- 🔴 Committee CPD seminar

Key

🔴 Committee Governance
🔵 Financial Reporting
🟠 External Audit
🟣 Risk and Internal Controls

Audit Committee Report continued

The Committee's priorities for 2022

- Review reporting of 2021 results and 2022 interim results including going concern and viability analysis and significant financial judgements by management
- Oversee and appraise external audit undertaken by Ernst & Young LLP (EY)
- Oversee implementation and progression of the Group Risk and Assurance Map and rolling programme of further assurance to inform the Committee's assessment of the effectiveness of the Group's internal controls framework
- Oversee the 2023 insurance programme renewal
- Monitor the maturity of the Group's cyber and information security systems, including GDPR compliance
- Review the appointment of the Group's valuers and consider tender process for valuation of all or part of portfolio
- Review Treasury Policy for recommendation to the Board
- Review and approve updates to tax strategy and policies
- Oversee review of and implementation of changes to Business Continuity Plan

Financial reporting

In June each year, the Committee reviews the plan and timetable for the procedures the external auditor will undertake in respect of the interim results. This includes acceleration of some year-end audit work. In September and/or November each year, the Committee examines the full year-end external audit plan and timetable before detailed audit work commences.

Ahead of the interim and full-year 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 fair and balanced and provides an understandable assessment of the Company's position and prospects. Reports from management include a detailed explanation of valuation assumptions and movements, commentary on provisions, and analysis of movements in the balance sheet and cash position. The Committee Chair also attends the year-end valuations review meeting in conjunction with the Company's valuers, external auditors and management team. The valuers attend Committee meetings ahead of publication of the interim and full-year results to explain valuation methodology and processes, comment on market conditions, and take questions from Committee members. The Committee reviews the long-term viability and going concern assessments prepared by management and the Directors' responsibilities statements (including the assumptions underpinning them) and recommends to the Board their adoption.

As part of the Committee's review of the Annual Report, it reviews disclosures relating to climate change, including for SECR and TCFD reporting.

The Committee reviews the controls in place to ensure the completeness and accuracy of the Company's financial records. As part of this, as in previous years, for the 2021 results the Committee noted (i) the reviews undertaken during preparation of the Annual Report and Financial Statements by various internal and external parties, including the external auditor and valuers, to ensure consistency and balance, and (ii) the internal verification exercise undertaken in respect of the financial metrics referred to in the Strategic Report and Directors' Report.

The Committee meets the external auditor annually independently of management, ensuring it has full visibility of matters that have been the subject of particular scrutiny by the external auditor and/or discussions between it and management.

As part of the Committee's review of the Group's material internal controls (see page 115), it has considered, concluded, and recommended to the Board that the disclosures, and the process and controls underlying the production of the 2021 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 154.

Significant reporting issues considered by the Committee for the 2021 financial statements

Valuation of the property portfolio

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

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

The valuation of the Group's property portfolio lies at the core of its financial reporting and the Committee has a particular duty to ensure it is reported in a fair, balanced and understandable manner. At both the half-year and the year-end, 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 41 to 43) and the Statement of Directors' Responsibilities (pages 154 to 155), and also in the Notes to the Financial Statements (page 174). Management prepared forecasts on several bases: a base case; a sensitised forecast that reflected a number of severe but plausible downsides; and for the first time a specific climate change scenario case was included. The outputs, which were reviewed in detail and discussed by the Committee, project that the Group can continue to operate with available liquidity and banking facilities under plausible downside scenarios. The Committee is satisfied that the disclosures in the financial statements on going concern and long-term viability are appropriate.

Alternative Performance Measures (APMs)

Harworth continues to believe that the use of APMs alongside statutory measures is essential in communicating the performance and position of the Group to its stakeholders. Note 2 to the Financial Statements sets out a full reconciliation of APMs to statutory measures. The Committee reviewed the appropriateness, prominence and consistency of the APMs disclosed and concurs with their use but has encouraged the management team to keep reviewing the way in which APMs are set out in the Company's financial reporting versus statutory measures.

Audit Committee Report continued

External audit

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

Having reviewed:

- the independence and objectivity of the external auditor, including consideration of potential conflicts of interest and of the non-audit work undertaken for the Company (for 2021 see analysis below);
- the effectiveness of the last external audit;
- the quality control processes that the external auditor has in place, including any regulator's public comments on the same;
- the quality of the audit team, including the experience of the audit partner and team and its capacity;
- the proposed scope of the audit; and
- the quantum of fees payable for the audit (see further analysis below),

the Committee is recommending the re-appointment of EY at the forthcoming AGM for the external audit of the Company's financial statements for the year ending 31 December 2022.

The Board recognises the importance of safeguarding 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 to provide advice and assistance on most tax matters and pension accounting. KPMG is retained to advise on tax matters relating to some of the Group's joint venture agreements;
- the Committee reviews on a regular basis all fees paid for both audit and non-audit activity, with a view to assessing the reasonableness of fees, value of delivery, and any independence issues that may have arisen or may potentially arise in the future. An analysis of all audit and non-audit fees paid in 2021 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.

Whilst EY audits the accounts of the main subsidiary entities in addition to those of the Company and the Group consolidation, in June 2021 the Committee approved the appointment of BHP, a regional chartered accountancy firm, to audit the accounts of certain Group management companies. The management team has experience of BHP as it already undertakes the audit of several of the Group's joint venture companies. EY was consulted and supported BHP's appointment.

During 2021 an exercise was undertaken to simplify the Group's corporate structure pursuant to which five subsidiaries entered members' voluntary liquidation and two further subsidiaries commenced strike-off proceedings at Companies House. These were long-standing dormant subsidiaries which had not traded since before Harworth separated from UK Coal in 2012. EY was consulted prior to this exercise starting.

Analysis of Audit and Non-Audit Fees

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000	
		EY	PwC
Audit fees			
Fees payable to the external auditor and its associates for the audit of:			
• The Company and the consolidated financial statements	**315**	289	–
• The Company's subsidiaries pursuant to legislation	**30**	60	–
Non-audit fees			
Fees payable to the external auditor and its associates for other services	**–**	–	85
	345	434	

Risk management and internal controls

Risk and internal controls framework

At the beginning of the year management undertook a comprehensive review of the Group's risk management and internal controls systems with the assistance of external consultants, Board Alchemy. With oversight from the Committee and the Board, significant work was carried out to further improve the Group's risk management system. This is explained in detail in the risk report on pages 70 to 77, including the work undertaken by the Board to review the Group's principal risks, the Directors' appetite for each of those risks, and the adequacy of the measures in place to mitigate them, all informed by the Group's growth strategy.

As the risk report outlines, the Group Risk Register has been replaced by a Group Risk and Assurance Map (**GRAM**): a register of the Group's principal and operational risks grouped into 10 risk categories each with a series of sub-risks. Each sub-risk has its own risk and assurance map which identifies internal risk owners and "champions" and incorporates commentary on the risk, risk scores, mitigation measures, key risk indicators, established Board assurance activity and management's proposals for further assurance activity. Those proposals form the basis for a 36-month rolling programme of further assurance (**Further Assurance Programme**). The Audit Committee has overseen the formation of the GRAM and approved the first iteration of the Further Assurance Programme.

At an operational level, the GRAM is monitored by the Group Leadership Committee. The overall risk profile of the business is reviewed monthly and risk owners lead risk workshops on individual risk categories throughout the year.

The Committee reviews the GRAM biannually as part of its assessment of the effectiveness of the Group's internal control framework. When reviewing the GRAM, the Committee focuses on the measures management have implemented and/or are planning to mitigate each risk and the adequacy of the assurance afforded to the Board to determine the effectiveness of those measures. For each risk, there is a residual risk score, reflecting the status of each risk after mitigation, and an assurance score. The Committee tests the veracity of those scores at each review and may require management to implement additional controls and/or offer more assurance to the Board for certain risks. The residual risk and assurance scores from the Committee's latest review, in February 2022, are shown in dashboard format on the following page.

The GRAM informs the Further Assurance Programme, which replaces the in-year assurance activities management have undertaken in the past and affords a more structured approach to further assurance. Going forward, the Committee will review the Further Assurance Programme in November each year and approve further assurance activity for the following 12 months. However, the programme will remain flexible to changing assurance needs during the year. Outputs from further assurance activity will be reported to the Committee throughout the year.

Whilst the Further Assurance Programme was not established until early 2022, some further assurance activity was undertaken in 2021, largely to support the strategy update exercise described in the CEO's review. For example, investor and stakeholder perception studies were undertaken, and there was an external assessment of organisational design, recruitment, retention and reward. During 2022, further assurance activity will focus on the acquisitions process, planning strategies, supplier procurement and monitoring and data access.

Implementation of the Further Assurance Programme would ordinarily be led by an internal audit function. The Company does not currently have an internal audit function, but this is reviewed annually by the Committee. The Committee undertook its last review in February 2022 and, going forward, this will be scheduled to coincide with, and be informed by, the Committee's review of the forward-looking Further Assurance Programme in November each year. Previously, the Committee had taken the view that the structure of, and processes within, the business were neither sufficiently large, nor complex, to merit a separate internal audit function. At its last review, the Committee acknowledged that the increase in pace and scale of activity needed to deliver the strategy accelerated the need for such a function and management will undertake a review to determine the most effective means of resourcing an internal audit function.

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

The Committee is satisfied that the risk management and internal controls systems in place, and the assurance regime for the same, are effective to support delivery of the Group's strategy. Informed by the Committee's recommendation, the Board's assessment of the effectiveness of those systems can be found on page 70.

Audit Committee Report continued

Key

Principal risk identified by the Board

Residual risk

- 🟢 Very low
- 🟡 Low
- 🟠 Medium
- 🔴 High
- 🟣 Very high

Assurance level

- 🟢 Sufficient Board assurance activity
- 🟠 Room for improvement in level of Board assurance activity but not of concern
- 🔴 Insufficient Board assurance activity and should be reviewed as a matter of priority

Risk and Assurance Map Dashboard

		Residual risk	Board assurance level
1.	Acquisitions		
a.	**Availability of and competition for strategic sites**	H	🟩
b.	Acquisitions due diligence	M	🟧
2	Project Delivery		
a.	**Planning**	H	🟩
b.	**Supply chain cost inflation and constraint**	M	🟧
c.	**Supply chain and delivery partner management (counter-party risk)**	M	🟧
d.	Asset management (Investment Portfolio)	M	🟧
e.	**Statutory costs of development**	M	🟩
3.	Markets		
a.	**Residential and commercial markets**	M	🟧
b.	Emerging markets	M	🟩
4.	People		
a.	**Resourcing**	M	🟩
b.	Succession	M	🟧
c.	Employee communication and engagement	L	🟩
d.	Culture and diversity	M	🟩
5.	Finance		
a.	**Availability of appropriate capital**	L	🟩
b.	Liquidity	L	🟩
6.	Safety and compliance		
a.	**Health and safety**	L	🟩
b.	Environmental management	L	🟩
c.	Estates management	M	🟧
d.	Insurance	M	🟧
e.	Regulatory compliance (excluding health and safety and environmental)	L	🟩
7.	Climate change		
a.	Physical impact of climate change	L	🟧
b.	**Managing climate change transition**	M	🟧
8.	Systems and information resources		
a.	**Cyber security**	L	🟩
b.	Data management and information security	M	🟩
c.	IT systems	L	🟩
9.	Governance		
a.	Board and Committee governance	M	🟩
b.	Financial reporting governance	M	🟧
c.	Operational governance	M	🟩
d.	Business continuity	M	🟩
10.	Stakeholders		
a.	Investor relations	M	🟩
b.	Stakeholder engagement and management	M	🟧

Business continuity

The Group's Business Continuity Plan (**BCP**) proved to be fit for purpose in the Group's immediate response in early 2020 to the Covid-19 restrictions. The BCP was reviewed in 2021 and will be reviewed again during the first half of 2022. A test of the Group's IT Disaster Recovery Plan was undertaken successfully, and the results presented to the Committee, in the second half of 2021.

Insurance

Last year involved a very challenging 2021 insurance renewal, largely attributable to insurance market conditions, which led to markedly higher pricing, increases in excesses on certain sites and some deterioration in the scope of certain aspects of cover. During the year, Willis Towers Watson were appointed to replace Lockton Group as the Group's insurance brokers and undertook a comprehensive exercise to remarket the property insurance programme to insurers. Despite insurance marketing conditions remaining broadly unchanged, if not tightening, this exercise has resulted in some improvements in the Group's pricing and cover for the 2022 renewal. The Committee monitored this process and challenged management both on the overall programme and on individual aspects of the renewal.

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 2021. The Committee undertook its annual review of the policy and procedures in March and approved the introduction of an external "Speak Up" platform to supplement the Group's existing internal reporting mechanisms. This new platform is already live and offers employees and external stakeholders another means of reporting concerns (on a confidential basis if preferred).

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.

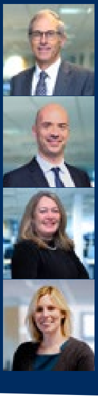
The Company's 2021 Modern Slavery Statement can be found on our website at https://harworthgroup.com/investors/governance/, together with our policies on anti-corruption and bribery and anti-facilitation of tax evasion. The Company operates a regime for the approval, and a register, of all hospitality activity. This register is monitored regularly by the Company Secretary and annually by the Committee.

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

Patrick Bourke

PATRICK O'DONNELL BOURKE
Chair of the Audit Committee
21 March 2022

ESG Committee Report



Committee members

Angela Bromfield (Chair)
Alastair Lyons
Lynda Shillaw
Martyn Bowes
Kitty Patmore

The terms of reference of the Environmental, Social and Governance (ESG) Committee are on the Company's website: https://harworthgroup.com/investors/governance/

Dear Shareholder,

I am pleased to report to shareholders on the work of the Environmental, Social and Governance (ESG) Committee during the year ended 31 December 2021. This report sets out the Committee's activities since it was established in April 2021 and its priorities for 2022.

The ESG Committee was established to provide oversight of and guidance on the Group's ESG strategy, practices and reporting. Given its underlying purpose to transform land and property into sustainable places where people want to live and work, Harworth has a long-standing approach to ESG and an ongoing commitment to sustainability which is embedded in all elements of the Group's activities. This is articulated in the five pillars of the Harworth Way; see further on pages 10 to 11. During 2021, the Committee oversaw the evolution of several elements of the Harworth's ESG framework, including the development of targets and Harworth's outline approach to Net Zero Carbon. The Committee will continue to focus on these areas in 2022.

Membership and meetings

I chair the Committee, and its other members are Alastair Lyons, Lynda Shillaw, Kitty Patmore and Martyn Bowes. The Committee meets at least quarterly and meetings are also attended by an independent external ESG consultant. There were four Committee meetings held during the year and membership and attendance at those meetings is shown below:

		Independent	Committee tenure at 31 December 2021	Scheduled meetings attended/eligible to attend
Angela Bromfield	Chair	Yes	9 months	4/4
Alastair Lyons	Member	Yes	9 months	4/4
Martyn Bowes	Member	No	9 months	3/4
Lynda Shillaw	Member	No	9 months	4/4
Kitty Patmore[1]	Member	No	9 months	2/4

[1] Kitty Patmore went on maternity leave at the start of October 2021. Nigel Turner attended Committee meetings as Interim Chief Financial Officer but was not formally appointed to the Committee.

2021 Key Activities

During the year, the Committee:

- Established its terms of reference, which also received Board approval.
- Reviewed key external ESG frameworks and principles and Harworth's alignment with them. For example, we considered the UN Sustainable Development Goals (SDGs) and resolved to use six principal SDGs in our reporting as they were most closely aligned to our strategy and operations, and relate to areas where we believe we can make the biggest impact as a business; see page 11.
- Reviewed investor feedback and comments on ESG following the interim results announcement.
- Reviewed Harworth's approach, in terms of both challenges and opportunities, to Net Zero Carbon. We have made a commitment to reaching Net Zero Carbon on Scope 1, Scope 2 and some Scope 3 emissions by 2030, and on the balance of Scope 3 emissions by 2040, as well as detailing some of the work that is already underway, on page 56.
- Reviewed Harworth's core ESG impact areas. Our progress to date in these areas and plans for 2022 and beyond are set out on pages 48 to 51.
- Reviewed and approved the Group's first Task force on Climate-related Financial Disclosures (TCFD), set out on pages 65 to 69.

2022 Priorities

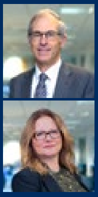
The Committee's priorities for 2022 include working with the Senior Executive, Director of Sustainability and wider business to:

- Ensure alignment between our ESG commitments and the Group strategy.
- Continue to determine measurable targets across the three impact pillars of the Harworth Way, with a focus on addressing Harworth's medium and longer term ESG impact.
- Implement the measures identified to make further progress on our core impact areas. The Committee will oversee the assessment and monitoring of these measures.
- Develop Harworth's *Transformation to Net Zero* which will detail our pathway to transitioning our business and portfolio to Net Zero Carbon.
- Develop further our TCFD disclosures through enhancing the breadth and depth of our environmental data collection, enabling us to provide a more comprehensive and quantitative assessment of our climate-related risks and opportunities.

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

ANGELA BROMFIELD
Chair of the ESG Committee
21 March 2022

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/

Dear Shareholder,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2021. The report includes:

- my Annual Statement as Chair of the Remuneration Committee;
- the new Directors' Remuneration Policy (**the Policy**). This sets out the policy intended to apply for the three years from 2022 and is subject to a binding shareholder vote at the 2022 AGM; and
- the Annual Report on Remuneration. This outlines how we implemented our current policy in 2021 and how we intend to apply the new Policy in 2022. This is subject to an advisory vote by shareholders.

Priorities for 2022:

- Consult with major shareholders on the 2022 Remuneration Policy and, if approved, ensure the Policy is effectively implemented.
- Ensure our ESG goals continue to be appropriately reflected in our reward framework.
- Operation of 2022 annual bonus, including setting targets.
- Grant of 2022 Restricted Share Plan awards.
- Approve grant of options for SAYE plan and Share Incentive Plan awards.

Performance outcomes for 2021

Harworth has delivered a year of exceptional financial and operational performance against a backdrop of continued economic uncertainty. This is testament to the proactive management and leadership of the Senior Executive Team and the commitment of all our people. Highlights of the Company's financial and operational performance in 2021 are set out on page 1 of the Strategic Report.

The Group has made strong progress against the ambitious growth strategy that was announced during the year by Lynda Shillaw, our Chief Executive, following a rigorous strategic review by the Senior Executive Team, with support from the Board. Our ambition is to double the size of the business, from an EPRA NDV of £516m at the end of 2020 to in excess of £1 billion over five to seven years by continuing to deliver places where people want to live and work. Over the last 12 months our performance, combined with underlying market growth, has translated into a substantial year-on-year increase in EPRA NDV (+23.5%) and a Total Return of +24.6%.

Lynda Shillaw's and Kitty Patmore's bonus opportunity for 2021 was 100% of salary based on a combination of financial measures (75% of the opportunity), an ESG measure (5% of the opportunity) and personal objectives (20% of the opportunity).

Taking into account performance against these measures, the Committee approved a bonus outcome equal to 90.5% of salary for each of Lynda Shillaw and Kitty Patmore (in each case equivalent to 90.5% of the maximum opportunity). Full details are set out on pages 141 to 143.

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 employee experience. The Committee had regard to the following in particular:

- The Company's Total Return was 24.6% and Total Shareholder Return was up by 73% between the start and end of 2021.

- Over the course of 2020 and 2021, the Company did not utilise furlough, or any other Government support schemes (with the exception of the opportunity to defer VAT payments which was repaid in 2020). No employees were furloughed or made redundant as a result of Covid-19 during 2020 or 2021.
- The average bonus outcome for eligible employees was 88% of their maximum entitlement.

The first tranche of the 2019 Restricted Share Plan (RSP) award vested in full in March 2022. The current Executive Directors did not participate in the 2019 RSP award, given that the award was granted prior to their joining the business.

Policy review

Our current Directors' Remuneration Policy was approved at the 2019 AGM (with over 99% votes cast in favour) and is approaching the end of its three-year term. The Committee has, therefore, undertaken a review of the remuneration framework for the Executive Directors, senior leadership team and wider workforce to ensure that it supports the Group's long-term strategic ambitions and is competitively positioned.

In undertaking this review, the Committee has kept in mind the Group's core reward principles detailed on page 127 as well as the factors in Provision 40 of the 2018 UK Corporate Governance Code (see page 138).

The current incentive structure (annual bonus and RSP) has been successful in incentivising the Executive Directors and senior leadership team to create value by delivering strong and sustainable returns and growth in the scale of the business. The Committee, therefore, considers it appropriate to continue with a broadly similar approach to the current framework. It is proposed to retain the RSP, which received very strong support from shareholders at the 2019 AGM, and reflects our core principle of rewarding long-term value creation in a cyclical business.

Our people are at the heart and centre of everything we achieve. It is they who identify our strategic development opportunities, create master plans, negotiate with relevant stakeholders, project manage delivery, and then determine optimal exit strategies. In turn, the quality of our executive leadership is key to our people being successful. To achieve our strategic ambitions, and deliver the operational performance that creates our desired returns, we need to attract and retain the appropriate calibre of staff and ensure their strong alignment with the interests of our shareholders.

As disclosed in last year's Directors' Remuneration Report, following a comprehensive talent review a significant number of our below Board workforce received career progression and promotional pay rises at the start of 2021, in some cases to align their pay with market rates. The competition for talent across the real estate sector has strengthened over the last 12 months, resulting in further upwards movement in market rates. In response, we have undertaken another review of the salaries we pay, resulting in some further rises to reflect that movement. Those increases took effect at the start of 2022, alongside a pay increase applied for all employees to mitigate the impact of steep inflation.

As part of the Policy review, the Committee carried out a benchmarking exercise to assess the market competitive positioning of the Executive Directors' remuneration against both FTSE SmallCap companies of a similar size and complexity and real estate peers. The pan-sector comparator group was made up of FTSE SmallCap companies (excluding financial services companies) which operate predominantly in the UK. The real estate comparator group consisted of real estate peers with a market capitalisation of less than £1bn (Palace Capital; U & I; Empiric Student Property, Inland Homes, McKay Securities, Capital & Regional, Urban & Civic, Henry Boot, New River, Helical Bar).

The key findings were as follows:

- Chief Executive: Lynda Shillaw's salary is currently positioned between the lower end and mid-point of the market competitive range and her total target compensation is positioned towards the lower end of the market competitive range.
- Chief Financial Officer: Kitty Patmore's salary and total target compensation is positioned at the lower end of the market competitive range.

Directors' Remuneration Report continued

In the context of needing to attract, retain, and incentivise talented and experienced individuals in a highly specialised and very active sector, and taking into account the outcome of the benchmarking exercise, the Committee proposed a number of changes which are summarised below. The Committee consulted with 13 major shareholders (representing at that time approximately 87% of the Company's issued share capital) and three proxy voting agencies. I am pleased to report that a substantial majority of shareholders consulted were supportive of the proposed changes. Responding to the feedback received, the Committee has at the same time strengthened the post-employment shareholding guidelines that apply to Executive Directors as set out below.

<table>
<tr><th></th><th>Current Policy</th><th>Proposed approach under new Policy</th></tr>
<tr><td>Annual bonus</td><td></td><td></td></tr>
<tr><td>Maximum opportunity</td><td>Normal maximum opportunity of 100% of salary, with discretion to award up to 150% of salary in exceptional circumstances.</td><td>Increase normal maximum opportunity to 150% of salary.
It is intended that the increase will be implemented in stages as set out below subject to the performance of both the Executive Directors and the Group.
<table>
<tr><th></th><th>2022</th><th>2023</th><th>2024</th></tr>
<tr><td>Lynda Shillaw</td><td>125% of salary</td><td>150% of salary</td><td>150% of salary</td></tr>
<tr><td>Kitty Patmore</td><td>100% of salary</td><td>125% of salary</td><td>125% of salary</td></tr>
</table>
Rationale: To deliver greater reward for more stretching performance aligned with the Group's strategic growth ambition, and having regard to the market competitiveness of the current approach.</td></tr>
<tr><td>Mandatory bonus deferral into Harworth shares</td><td>No deferral.</td><td>Deferral will be introduced in line with any increase in bonus opportunity as illustrated below.
<table>
<tr><th></th><th>2022</th><th>2023</th><th>2024</th></tr>
<tr><td>Lynda Shillaw</td><td>20% of amount earned deferred</td><td>33% of amount earned deferred</td><td>33% of amount earned deferred</td></tr>
<tr><td>Kitty Patmore</td><td>No deferral</td><td>20% of amount earned deferred</td><td>20% of amount earned deferred</td></tr>
</table>
Bonus deferral will be into Harworth shares with a two-year deferral period.
Rationale: Supports good governance and further aligns Executive Directors with shareholders.</td></tr>
<tr><td>Performance measures</td><td>At least 75% of the bonus is based on financial measures, with the remainder based on strategic and/or personal measures.</td><td>At least 50% of the bonus will be based on financial measures. The remainder will be subject to specific strategic and personal measures, with no more than 20% of the bonus based on personal measures.
Rationale: To ensure there is sufficient flexibility over the Policy's three-year term to select performance measures which align with the Group's financial and strategic priorities and ESG commitments.</td></tr>
</table>

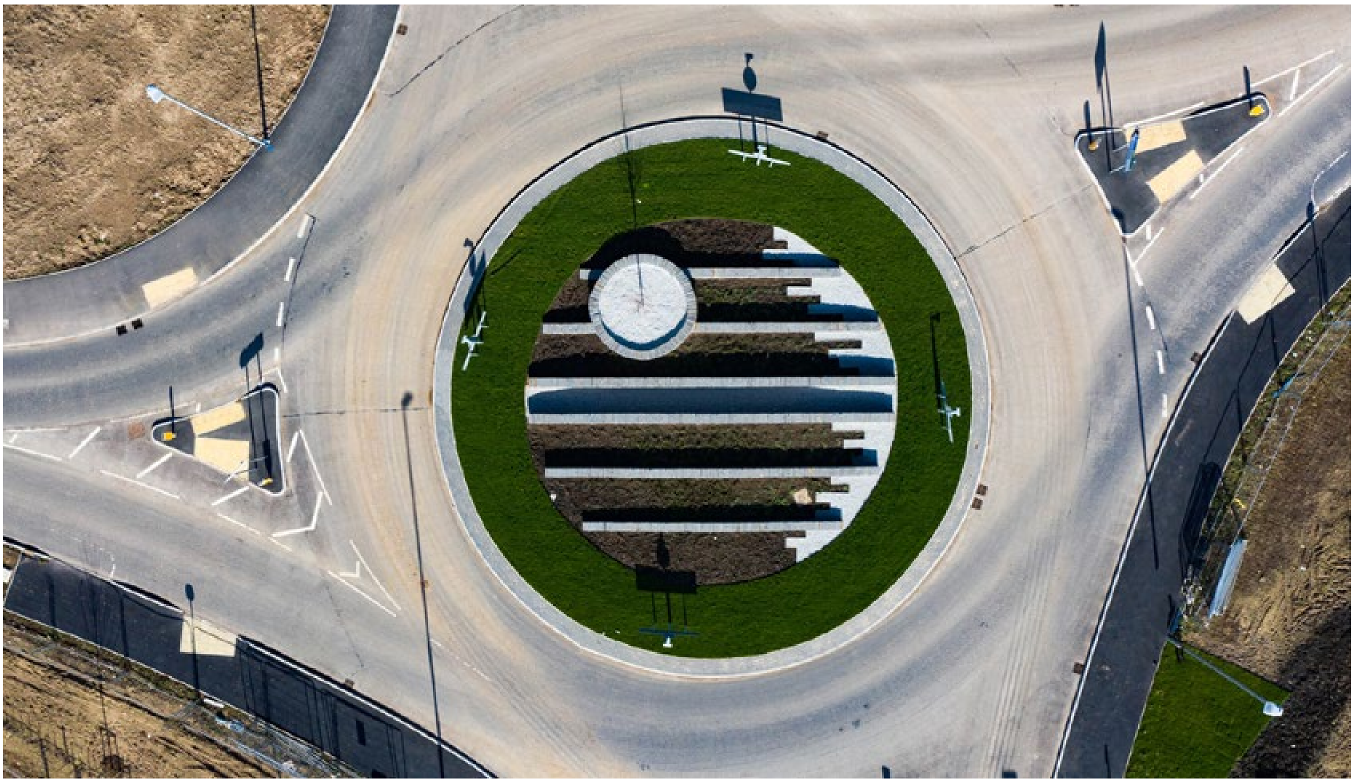
	Current Policy	**Proposed approach under new Policy**
RSP		
Maximum opportunity	Normal maximum opportunity of 50% of salary, with discretion to award up to 100% of salary in exceptional circumstances. The maximum number of shares that may be granted is based on the market value of a share on the date of grant.	Increase the normal RSP opportunity from 50% to 75% of salary with effect from 2022. For the current Executive Directors, the maximum number of shares that may be granted in respect of 2022, 2023 and 2024 will be based on the market value of a share following the announcement of the Company's results for 2021 (the "2022 Price"). The intention is that the 2022 Price will be determined on the same basis as if the award for 2022 had been granted in the normal course in the 42-day window following the announcement of the Company's results (rather than following the AGM). A cap and collar will apply in respect of the 2023 and 2024 awards. The cap and collar will apply if the market value of a share at the time of grant is greater than 1.5 times the 2022 Price or less than 0.5 times the 2022 Price. In other words, the face value of the 2023 and 2024 awards (when calculated by reference to the market value of a share at the time of grant) may not exceed 112.5% of salary (1.5x 75% of salary) or be less than 37.5% of salary (0.5x 75% of salary). This is in order to mitigate exceptional movements in the share price having a disproportionate impact on the overall incentive opportunity. Rationale: To increase the weighting of the Executive Directors' total reward package towards long-term value creation, and to have regard to the market competitiveness of the current approach. Granting awards based on a fixed share price further aligns Executive Directors and below Board participants with shareholders and the Group's growth aspirations, rewarding share price appreciation whilst depreciation is penalised.
Time horizons	The total time horizon between grant and the end of the holding period is five years. Awards vest in three equal tranches after three, four and five years. Holding periods apply to each tranche such that no shares can be sold until after five years post grant.	Continue with the current approach. Rationale: The current approach appropriately supports long-term stewardship, aligns the Executive Directors and below Board participants with the long-term interests of shareholders, and is aligned with the Investment Association's published guidance.
Specific performance underpins	Vesting of each tranche is subject to specific 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.	Continue with the current approach. Rationale: Supports good governance and is aligned with best practice principles.

Directors' Remuneration Report continued

	Current Policy	Proposed approach under new Policy
Governance		
In-employment shareholding guidelines	Shareholding guidelines are in place that require Executive Directors to acquire a holding equivalent to 200% of base salary	Continue with the current approach. Rationale: Aligns Executive Directors' interests with shareholders through building up a significant shareholding in the Company
Post-employment shareholding guidelines	For the first 12 months following cessation, an Executive Director must retain shares with a value (as at cessation) of 100% of base salary with that requirement tapering down to 0% over the following 12 months; or in either case and if fewer, all of the shares held as at cessation.	Strengthen the post-employment shareholding guidelines such that for the first 12 months following cessation, an Executive Director must retain shares with a value (as at cessation) of 200% of base salary with that requirement tapering down to 0% over the following 12 months; or in either case and if fewer, all of the shares held as at cessation. Rationale: Further promotes long-term stewardship.

The Committee strongly believes that these changes are in the best interests of shareholders, noting the following points in particular:

- We take pride in our exceptional executive leadership team – it is the key to our success and it is, therefore, essential that we retain the team over the next three years as the business itself develops in both scale and complexity.
- Pay differentials between Executive Directors and below Board levels are a key consideration when setting salaries and incentive opportunities for senior leadership roles. It is, therefore, important that remuneration is appropriately positioned at Executive Director level, so that we can attract, retain and motivate high calibre individuals at senior leadership level.
- We anticipate the business continuing to grow in scale, as well as complexity, over the next five to seven years based on the Group's growth ambitions.



Salary increase for the Chief Financial Officer for 2022

When Kitty Patmore was appointed in 2019 her salary reflected that she was new to the role of Chief Financial Officer in a premium listed business, but the Committee resolved to increase it over time if she performed well in the role.

As disclosed in last year's Directors' Remuneration Report, the Committee increased Kitty Patmore's salary from £200,000 to £250,000 with effect from 1 January 2021. This followed an incredibly strong first year in role and signalled the Committee's intention to align Kitty Patmore's reward package with the market. At the time, I explained in my letter to shareholders that the Committee had been very mindful of the ongoing challenging environment and had not, therefore, sought to address that Kitty Patmore's salary and total compensation opportunity were still, after the salary increase, positioned towards the bottom end of the market competitive range when compared to both other FTSE SmallCap listed companies of a similar size and complexity and other real estate peer companies. I reported that the Committee would therefore continue to keep Kitty Patmore's remuneration under review over the following few years, taking into account her performance in role and the wider performance of the Group.

Kitty has continued to perform exceptionally well. She has transformed the quality of the Group's financial forecasting and reporting and her input into the strategy work was invaluable. She has worked very closely with our new Chief Executive, Lynda Shillaw, to reposition the business with current and prospective investors. During the pandemic she negotiated significant headroom into our senior debt facility before, at the start of this year, refinancing it into a new £200m revolving credit facility on improved terms. Kitty has also led the evolution and communication of Harworth's ESG strategy and data collection. She has a great reputation across the industry and her skillset and experience make her an attractive executive prospect in an active and buoyant market.

After careful reflection and consulting with the Group's major shareholders, the Committee determined that Kitty Patmore's salary should be increased from £250,000 to £310,000 (24%). The increase will formally take effect following the 2022 AGM and will be backdated to 1 January 2022.

We are pleased that those shareholders who were consulted are generally supportive of the proposed increase. Some shareholders asked whether the Committee had considered awarding the increase over two years. As noted above, absent the ongoing challenging environment, the Committee would have fully addressed the market competitiveness of Kitty Patmore's salary and total compensation positioning last year. Implemented over a two-year period, the base salary increase last year, together with the base salary and RSP award increases for 2022, have resulted in her salary and total compensation opportunity now being aligned with the market. The Committee does not anticipate making further increases above those granted to the wider workforce for the duration of the Policy period. The Committee strongly believes that this change is in line with the principles of the Group's talent development programme and reflects Harworth's broader commitment to diversity, equality and fairness, ensuring that individuals are appropriately rewarded on the basis of role, experience and performance.

Impact of changes on total compensation

The Committee is very mindful of the impact of the proposed salary and incentive opportunity increases on the value of the Executive Directors' total reward package. It considers these to be appropriate, and in the best interests of shareholders, as the proposed increases in annual bonus and RSP opportunity align Lynda Shillaw's total compensation opportunity with the current market, whilst the 2022 salary increase aligns Kitty Patmore's salary and total compensation opportunity (taking into account the proposed phased increases in annual bonus and RSP opportunity) with the market.

Review of reward for the wider workforce

All of our people contribute to the achievement of the Group's long-term success. It is, therefore, the Committee's policy that when making remuneration decisions in respect of the Executive Directors, the reward arrangements for the wider workforce should also be considered. Taking into account the proposed changes to the Executive Directors' remuneration, and to extend share ownership throughout the Group to further foster stewardship, and alignment with shareholders, the Committee has agreed the following:

- RSP participation has been extended – around 50% of our employees will be granted an RSP award in 2022.
- RSP opportunity has been increased for all participants, to provide alignment with the proposed increase for the Executive Directors. The increases in RSP awards applied to below Board participants are, in percentage terms, higher than those proposed for the Executive Directors.
- The annual value of Free Shares awarded under the all-employee Share Incentive Plan will be increased and the Group also intends to offer Partnership Shares and Matching Shares to employees.

This accompanies career progression and promotion pay rises which were awarded to a significant number of colleagues in 2021 and 2022.

To further enable and encourage share ownership across the workforce, we operate an all-employee SAYE plan in which over half of our employees participate.

Directors' Remuneration Report continued

Implementation of the Policy for 2022

Base salary

Lynda Shillaw's salary was increased from £400,000 to £421,600 (5.4%) with effect from 1 January 2022. This is in line with the average increase for the wider workforce.

As set out above, Kitty Patmore's salary will increase from £250,000 to £310,000 (24%). This increase will formally take effect following the 2022 AGM and will be backdated to 1 January 2022.

Performance-related annual bonus

The annual bonus opportunity for Lynda Shillaw and Kitty Patmore will be 125% and 100% of salary respectively.

The performance measures have been rebalanced compared to 2021, to provide alignment with the key 2022 financial and strategic priorities under the Group's redefined strategy. 50% of the bonus opportunity will be based on financial measures (Total Accounting Return and acquisitions), 30% of the bonus opportunity will be based on strategic measures (launch of the Build to Rent portfolio and an increase in scale of direct development), 5% of the bonus opportunity will be based on an ESG measure and 15% of the bonus opportunity will be based on personal objectives. See page 147 for further details.

Performance targets are considered to be commercially sensitive at this time but the Committee intends that they will be disclosed in the 2022 Annual Remuneration Report.

Restricted Share Plan award

RSP awards will be granted to Lynda Shillaw and Kitty Patmore at 75% of salary. Vesting will be phased over a five-year period, with one third vesting after three years, one third after four years and one third after five years. All vested shares must be held to the end of year five, resulting in a total time horizon of five years for all three tranches. The RSP awards will be subject to performance specific 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 148 for further details.

Chair and Non-Executive Directors

The Chair's and Non-Executive Directors' base fees will be increased by 5.4% for 2022. This is in line with the average increase for the wider workforce. The fees payable to the Senior Independent Director and Chairs of our Audit and Remuneration Committees have also been reviewed and will increase as set out below. We will also pay a fee to the Chair of our newly formed ESG Committee, also indicated below. These fees reflect the increasing time commitment required in these roles, which is commensurate with the growth in scale and complexity of the business, and the need to attract and retain high quality Non-Executive Directors to support the Senior Executive Team in the delivery of our ambitious strategy.

	Fee payable in 2021	Fee payable in 2022
Senior Independent Director	£7,612.50	£8,500.00
Chair of Audit Committee	£7,612.50	£8,500.00
Chair of Remuneration Committee	£7,612.50	£8,500.00
Chair of ESG Committee	N/A	£6,000.00

See page 148 for further details.

Conclusion

We greatly appreciate the feedback and the level of support we have received from our shareholders regarding our approach to remuneration and the changes outlined above. We are firmly of the view they are in the best interests of the business and its shareholders.

We remain committed to a responsible approach to executive pay, as I trust this Directors' Remuneration Report demonstrates. We believe that the policy operated as intended in respect of the 2021 financial year and consider that the remuneration received by the Executive Directors was appropriate, taking into account the Group's performance during 2021, their personal performance, and the experience of shareholders and employees.

On behalf of the Board, I would like to thank you, our shareholders, for your engagement, and I hope that we will continue to receive your support at the AGM later this year.

ANGELA BROMFIELD
Chair of the ESG Committee
21 March 2022

Directors' remuneration policy

Changes to the remuneration policy and summary of decision-making process

During 2021, the Committee carried out a comprehensive review of the current remuneration policy. The outcome of the review and changes to the policy are outlined on page pages 121 to 124.

In determining the Policy, the Committee followed a robust process which included extended discussion on the content of the Policy at four Committee meetings. The Committee considered input from the Executive Directors and its independent advisers and consulted with major shareholders (representing at that time approximately 87% of the Company's issued share capital).

In undertaking the review, the Committee kept in mind the Group's core reward principles (set out below) as well as the factors in Provision 40 of the 2018 UK Corporate Governance Code (see page 138).

Core reward principles	
Rewarding long-term value creation in a cyclical business	To support the delivery of the Group's strategic ambition to deliver strong, long-term sustainable growth recognising the extended timeframes of our business model.
Fairness and equity	Base salaries should be set to be market competitive, reflecting the size and complexity of the business and the calibre and experience of individuals in each role.
Retention and motivation	To help retain and incentivise a management team with the requisite skills, knowledge and experience to deliver strong, long-term, sustainable growth for shareholders.
Supporting stewardship and alignment with shareholders	A significant element of the total package should be delivered through the Restricted Share Plan, to reflect our ethos of long-term stewardship and encourage long-term share ownership amongst the Executive Directors and Senior Leadership Team.
Simplification and transparency	A simple and transparent framework which can be readily cascaded to the wider workforce.

This section of the report sets out the Policy for Directors which will be put to a binding shareholder vote at the 2022 AGM. Subject to shareholder approval, the Policy will come into effect from the close of the 2022 AGM.

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 determined in the first quarter of the year and take effect retrospectively from 1 January in that year.	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 executives to build up income on 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.	Aligned with the contribution rate available to the majority of the wider workforce (currently 10% of salary).	None

Directors' Remuneration Report continued

Function	Operation	Opportunity	Performance metrics
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, private medial cover and life insurance although can include any such benefits that the Committee deems appropriate, and the Company may make a payment in respect of any associated tax liability where the Committee considers this to be appropriate.	The monetary value of benefits vary by role and individual circumstances: eligibility and cost are reviewed periodically. The Committee retains the discretion to approve a higher cost in appropriate circumstances (e.g. relocation) or in circumstances where factors outside the Company's control have changed materially (e.g. increases in insurance premiums).	None
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 and/or strategic performance objectives. At the end of the year, the Committee determines the extent to which targets have been achieved. If the maximum bonus opportunity exceeds 100% of salary, up to one third of any amount earned (not only the proportion earned above 100% of salary) will be deferred into shares in the Company for two years. For example, if the bonus opportunity is equal to 125% of salary, 20% of any amount earned will be deferred for two years. If the bonus opportunity is equal to 150% of salary, 33% of any amount earned will be deferred for two years. Dividend equivalents may be paid on vested shares based on dividends paid during the deferral period. Such amounts will normally be paid in shares.	Maximum opportunity of up to 150% of base salary in respect of a financial year. For 2022, the maximum annual bonus opportunity will be 125% of salary and 100% of salary for the CEO and CFO respectively. For financial metrics, up to 10% of maximum may be earned for threshold performance and up to 50% of maximum may be earned for target performance with 100% of maximum earned for meeting or exceeding the maximum performance level. For performance between threshold and target and between target and maximum the vesting profile will be determined by the Committee taking into account the stretch in the targets. Vesting of the bonus in respect of strategic performance or personal objectives will be between 0% and 100% based on the Committee's assessment of the extent to which the relevant metric or objective has been met.	Performance is assessed on an annual basis, as measured against specific objectives usually set at the start of each year. The measures will include financial measures and may also include personal and/or strategic performance objectives. At least 50% of the bonus opportunity is based on financial measures which may include, but are not limited to, total accounting return and acquisitions. Specific 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 20% of the annual bonus will be based on personal objectives. Overall payout 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 amend the pay-out should any formulaic output not reflect the Committee's assessment of overall business performance or if the Committee considers the formulaic outturn is not appropriate in the context of other factors considered by the Committee to be relevant. Any such adjustments would be fully explained in future Remuneration Reports.

Function	Operation	Opportunity	Performance metrics
Restricted Share Plan (RSP) To encourage and enable substantial long-term share ownership and to reflect our ethos of long-term stewardship.	Annual 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 may be paid on vested shares based on dividends paid during the holding period. Such amounts will normally be paid in shares.	For Executive Directors in office at the date of approval of this Policy the maximum RSP award: • in respect of 2022 will be 75% of salary, converted into a number of shares by reference to the market value of a share on such date or dates following the announcement of the Company's results for 2021 as the Committee determines (the "2022 Price"); • in respect of future years, will be 75% of salary converted into a number of shares by reference to the 2022 Price, provided that the grant in respect of any future year may not exceed 112.5% of salary or be less than 37.5% of salary calculated by reference to the market value of a share at the date the relevant award is granted. For any Executive Director appointed after the date of approval of this Policy, the maximum RSP award in respect of any financial year is an award over shares with a market value determined by the Committee at the time the award is granted of up to 112.5% of salary.	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 Company over the relevant period.

Directors' Remuneration Report continued

Function	Operation	Opportunity	Performance metrics
Share Incentive Plan (SIP) and Save-As-You-Earn plan (SAYE) 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 (or such other limit as may be permitted under the relevant legislation).	N/A

Notes to the policy table

Performance measure selection and approach to target setting

Annual bonus

The measures used under the annual bonus plan are selected annually to reflect the Group's main objectives for the year and reflect both financial and personal contribution to the strategic plan, developed in line with shareholder expectations. Additional underpins may be set, for example to ensure appropriate consideration of all relevant aspects of health and safety.

RSP

The terms of the underpins will be determined on an annual basis taking into account the Committee's assessment of the metrics which will best reflect overall business health over the applicable vesting periods. Underpins will ordinarily be qualitative, and the Committee will use its judgement to assess "in the round" whether the level of vesting is appropriate having regard to the underpins and business performance. The underpins applying for the RSP awards to be granted in respect of the Company's FY2022 are set out on page 144.

Recovery provisions

The annual bonus and RSP awards are subject to malus and clawback provisions as follows:

- any bonus paid in cash may be recovered for up to two years following payment;
- a deferred bonus award may be reduced or cancelled during the two-year deferral period; and
- a tranche of an award under the RSP may be cancelled (if shares have not been delivered to satisfy it) or recovered from a participant (if shares have been delivered) up to the second anniversary of vesting.

Malus or clawback may be applied in the event of misconduct, material financial misstatement, error in calculation of outcomes, material failure of risk management and internal controls, a significant health and safety event or environmental incident, conduct leading to financial loss or reputational damage, unreasonable failure to protect the interests of employees and customers, material corporate failure, material breach of banking covenants or an unauthorised breach of the Group's internal gearing policy, or in any other circumstance that the Committee considers appropriate.

SAYE and SIP

SAYE options and awards under the SIP are not subject to performance conditions in line with the treatment of such awards for all employees and in accordance with the applicable tax legislation.

Variations

The Committee may vary or substitute any performance measure or RSP underpin if an event occurs which causes it to determine that it would be appropriate to do so, provided that any such variation is fair and reasonable and (in the opinion of the Committee) the change would not make the measure or underpin less demanding. If the Committee were to make such a variation, an explanation would be given in the next Remuneration Report.

Directors' Remuneration Report continued

Operation of share plans

The Committee will operate the Company's share plans in accordance with their rules. Share awards may be made in the form of conditional share awards, options (including nil cost options) or forfeitable share awards. Awards granted over shares may be settled in cash. In the event of a variation of the Company's share capital or a demerger, special dividend or other event which, in the Committee's opinion may affect the price of shares, the Committee may alter the terms of awards under the Company's share plans and the number of shares subject to those awards in accordance with the terms of the relevant plan.

Remuneration policy for other employees

Harworth's approach to annual salary reviews is consistent across the Group, with consideration given to the level of experience, responsibility, individual performance and salary levels in comparable companies.

The majority of employees are eligible to participate in an annual bonus scheme with similar metrics to those used for the Executive Directors. Opportunities and specific performance conditions vary by organisational level with business area-specific metrics incorporated where appropriate.

Senior managers participate in the RSP on similar terms to which Executive Directors participate. Award sizes vary by organisational level.

To encourage Group-wide share ownership, the Company operates a SAYE plan under which awards are granted annually. Over half of the Group's employees currently participate in the SAYE plan. The Company also operates a SIP and free share awards are made to all eligible employees annually.

Shareholding guidelines

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

A post-cessation shareholding requirement is in place such that, for the first 12 months following cessation, an Executive Director must retain such number of his or her "relevant shares" as have a value (as at cessation) equal to the shareholding guideline that applies during service (200% of base salary), with that requirement tapering down to 0% over the following 12 months. If the Executive Director holds less than the required number of "relevant shares" at any time, he or she must retain the "relevant shares" he or she holds. Shares which the Executive Director has purchased 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.

Non-Executive Director remuneration

Non-Executive Directors are appointed on a rolling annual basis. All Non-Executive Directors offer themselves for re-election at each AGM. The appointment and re-appointment and the remuneration of Non-Executive Directors are matters reserved for the full Board.

	Date of letter of appointment	Appointment date to the Board	Current appointment expiry date[1]
A. Lyons	23 November 2017	7 March 2018	7 March 2023
A. Bromfield	19 February 2019	1 April 2019	1 April 2023
R. Cooke	27 February 2019	19 March 2019	19 March 2023
L. Scenna	29 June 2020	1 September 2020	1 September 2022
P. O'Donnell Bourke	2 November 2020	3 November 2020	3 November 2022
S. Underwood[2]	9 December 2019	2 August 2010	1 January 2023
M. Bowes[3]	1 March 2015	24 March 2015	1 March 2023

[1] All Non-Executive Directors are subject to annual rolling appointments by reference to the date of their original appointment to the Board.

[2] A new letter of appointment was entered into when Steven Underwood ceased to be a representative director of Peel Group.

[3] Martyn Bowes was previously a Non-Executive Director of Harworth Estates Property Group Limited from 19 March 2013.

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

Full terms and conditions for each of 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.

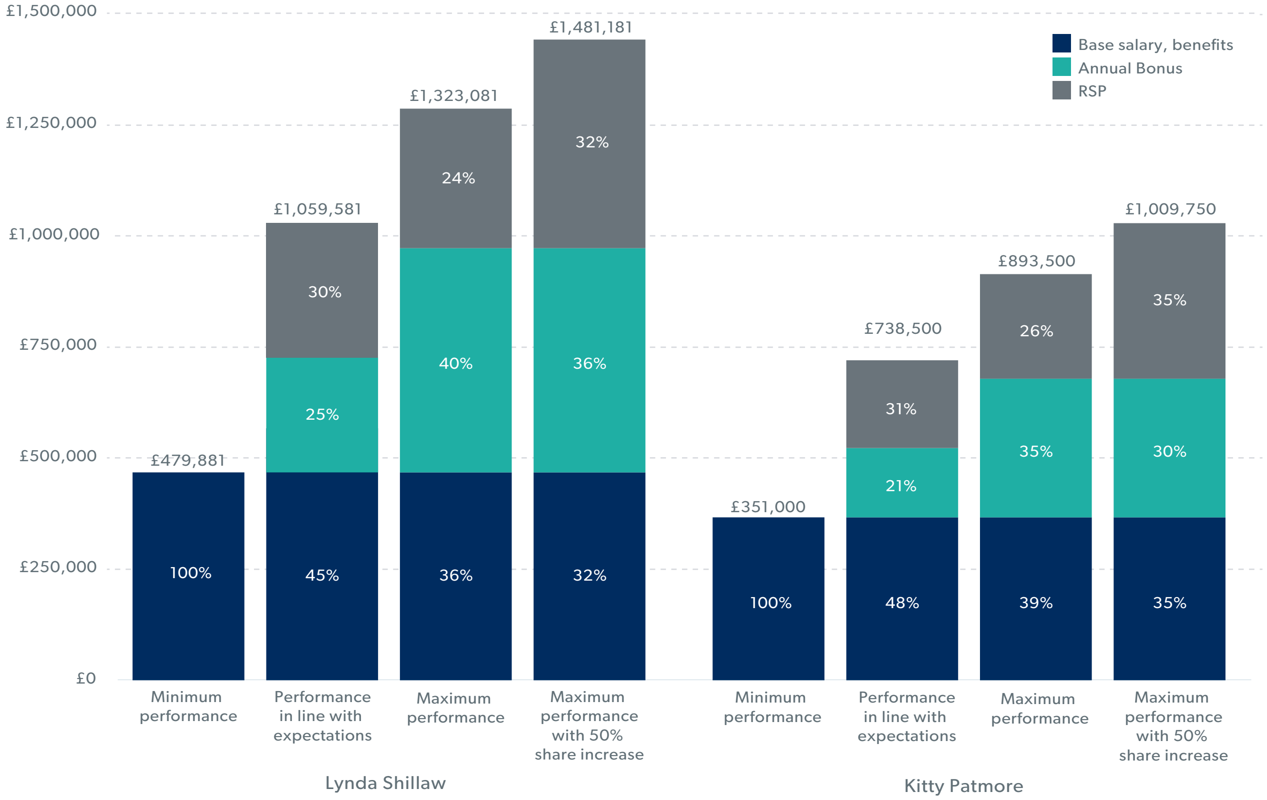
Function	Operation	Opportunity	Performance metrics
Fees and benefits To attract and retain Non-Executive Directors of the highest calibre with broad commercial and other experience relevant to the Company.	Fee levels are ordinarily reviewed annually, with any adjustments typically effective 1 January in the year following review. The fees of the Non-Executive Chair and other Non-Executive Directors are determined by the Board. Additional fees are payable for additional Board duties, including but not limited to, acting as Senior Independent Director and as Chair of any of the Board's Committees. Additional fees may be paid in the event that Non-Executive Directors are required to commit substantial additional time above that normally expected of their role. 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.	There is no overall maximum, but fees are set taking into account the responsibilities of the role and expected time commitment. It is expected that increases to Non-Executive Director fee levels will be in line with salaried employees over the life of the Policy. However, in the event that there is a material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil a Non-Executive Director role, the Board has discretion to make an appropriate adjustment to the fee level. Where benefits are provided to Non-Executive Directors they will be provided at a level considered to be appropriate taking into account the individual circumstances. Overall fees paid to the Chair and Non-Executive Directors will remain within the limits set by the Company's Articles of Association.	None.

Directors' Remuneration Report continued

Pay for performance scenarios

The charts below provide an illustration of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of remuneration under three different performance scenarios: "Minimum", "On-target" and "Maximum", along with an illustration assuming a 50% increase in the share price for the purposes of the RSP awards.

Potential reward opportunities are based on the Policy, applied to base salaries effective 1 January 2022. The annual bonus and RSP are based on the level of maximum opportunities applied in 2022. RSP values are based on the face value at award rather than vesting (other than as regards that element of the charts assuming a 50% increase in the share price for the purposes of the RSP awards).



The "minimum" scenario reflects base salary, pension and benefits (i.e., fixed remuneration) which are the only elements of the Executive Directors' remuneration packages not linked to performance. Base salaries and pensions (10% of salary) as at 1 January 2022 are set out on page 147, benefits are based on the value of such benefits in 2021 which are taken from the single total figure remuneration table on page 140.

The "on-target" scenario reflects fixed remuneration as above, plus bonus payout of 50% of maximum annual bonus opportunity (for 2022, 125% of salary for the CEO and 100% of salary for the CFO) and RSP vesting in full (for 2022, 75% of salary).

The "maximum" scenario reflects fixed remuneration as above, plus full payout of all incentives (for 2022, annual bonus of 125% of salary for the CEO and 100% of salary for the CFO and RSP of 75% of salary).

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%.

Approach to recruitment remuneration

External appointment

In the cases of hiring or appointing a new Executive Director from outside the Company, the Remuneration Committee may make use of all the existing components of remuneration, as follows:

Component	Approach	Maximum annual grant value
Base salary	The base salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and current base salary. Where new appointees have initial base salaries set below market, any shortfall may be managed with phased increases subject to the individual's development in the role.	
Pension	New appointees will receive pension contributions or an equivalent cash supplement in line with the existing policy.	
Benefits	New appointees will be eligible to receive benefits which may include (but are not limited to) the provision of a company car or cash alternative, private medical cover, life insurance and any necessary relocation expenses.	
Annual bonus	The structure described in the policy table will usually apply to new appointees with the relevant maximum usually being prorated to reflect the proportion of employment over the year. Targets for the personal element will be tailored to each Executive.	Up to 150% of salary.
RSP	New appointees will be eligible to participate in the RSP, as described in the policy table.	The maximum in respect of any financial year is an award over shares with a market value determined by the Committee at the time the award is granted of up to 112.5% of salary.

In determining appropriate remuneration, the Committee will take into consideration all relevant factors (including quantum and nature of remuneration for the appointee's previous employment, and the jurisdiction from which the candidate was recruited) to ensure that arrangements are in the best interests of both Harworth and its shareholders. The Committee may make an award in respect of a new appointment to "buy out" remuneration arrangements forfeited on leaving a previous employer, which may be awarded in addition to the remuneration structure outlined in the table above. The Committee will generally seek to structure "buy out" awards on a comparable basis to the remuneration arrangements forfeited and will consider relevant factors including time to vesting, any performance conditions attached to these awards and the likelihood of those conditions being met. Any such "buy out" awards will typically be made under the annual bonus or RSP, although in exceptional circumstances the Committee may exercise the discretion available under Listing Rule 9.4.2 R to make awards using a different structure. Any "buy out" awards would have a fair value no higher than the awards forfeited (as determined by the Committee).

Other elements of remuneration may be included in appropriate circumstances, such as:

- an interim appointment being made to fill an Executive Director role on a short-term basis (including if exceptional circumstances require that the Chair or other Non-Executive Director takes on an executive function); or
- if an Executive Director is recruited at a time in the year when it would be inappropriate to provide an annual bonus or long-term incentive award for that year. Subject to the limit on variable remuneration set out below, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis.

However, this discretion will not be used to offer non-performance related incentive payments (for example a "guaranteed sign-on bonus") and the maximum level of variable remuneration which may be granted (excluding any "buy-out" award) is up to 262.5% of salary.

Internal promotion

In cases of appointing a new Executive Director by way of internal promotion, the Committee and Board will be consistent with the Policy for external appointees detailed above. Where an individual has contractual commitments made prior to his or her promotion to Executive Director level, the Company will continue to honour these arrangements. The remuneration policy for other employees is set out on page 132. Incentive opportunities for below Board employees are typically no higher than Executive Directors, but measures may vary.

Non-Executive Directors

In recruiting a new Non-Executive Director, the Committee will utilise the Policy as set out in the table on page 133.

Directors' Remuneration Report continued

Service contracts and treatment for leavers and change of control

Executive Director service contracts, including arrangements for early termination, are carefully considered by the Committee. The CEO has a rolling service contract requiring nine months' notice of termination on either side. The CFO has a rolling service contract requiring six months' notice of termination on either side. Such contracts contain no specific provision for compensation for loss of office, other than an obligation to pay for any notice period waived by the Company, where pay is defined as salary plus benefits only. Executive Director service contracts are available to view at the Company's registered office. The Remuneration Committee may offer a notice period of up to 12 months (on either side) for any incumbent Executive Director or any Executive Director appointed after the date on which this Policy becomes effective.

When considering exit payments, the Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants. The table below summarises how the awards under the annual bonus and RSP are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion:

Reason for leaving	Calculation of vesting/payment
Annual Bonus	
Leaving other than as a "Good Leaver"[1]	Bonus for year of departure: No annual bonus payable Deferred bonuses: Lapse
"Good Leaver"[1]	Bonus for year of departure: Cash bonuses will typically be paid to the extent that financial, strategic and individual objectives set at the beginning of the plan year have been met. Any resulting bonus will typically be prorated for time served during the year and paid at the usual time (although the Committee retains discretion to pay the bonus earlier in appropriate circumstances). The Committee has discretion to pay the whole of any bonus earned for the year of departure and preceding year in cash in appropriate circumstances. Deferred bonuses: Typically vest in full on the normal vesting date. The Committee has discretion for the awards to vest earlier in appropriate circumstances.
Change of Control	Bonus for year of relevant event: Cash bonuses will typically be paid to the extent that financial, strategic and individual objectives set at the beginning of the plan year have been met. Any resulting bonus will typically be prorated for time to the relevant event. The Committee retains discretion to waive time prorating in appropriate circumstances. Deferred bonuses: Vest in full on occurrence of the relevant event.
RSP	
Leaving before vesting other than as a "Good Leaver"	If a participant holding an unvested tranche of an RSP award resigns or leaves for another reason which is not a "good leaver" reason, that tranche will ordinarily lapse.
"Good Leaver"[1] before vesting	If a participant ceases employment as a "good leaver" whilst holding an unvested tranche of an RSP award, that tranche will continue and vest following the end of the ordinary vesting period, subject to the application of the underpin in the ordinary way and, unless the Committee determines otherwise, a reduction to reflect the proportion of the first three years of the underpin assessment period that has elapsed at the date of cessation. The unvested tranche will ordinarily be released following the end of the holding period. The Committee has discretion to vest and release any unvested tranche at cessation or to release any unvested tranche as soon as it vests.
Cessation after vesting	If a participant ceases employment whilst holding a tranche of an RSP award which is subject to a holding period, it will ordinarily continue and be released following the end of the holding period. The Committee has discretion to release the tranche at cessation. However, if a participant ceases employment due to dismissal for misconduct during the holding period applying to a tranche, that tranche will lapse.

Change of control	In the event of a change of control of the Company or other relevant corporate event, unvested share awards under the RSP will usually vest. In the case of any unvested tranche of an RSP award, the number of shares in respect of which the tranche vests shall be determined by the Committee taking into account: • whether it is appropriate to reduce vesting to reflect the extent to which the underpin is not satisfied at the date of the relevant event, or the extent to which the Committee determines it would have been satisfied at the end of the ordinary assessment period; and • unless the Committee determines otherwise, the proportion of the first three years of the underpin assessment period that has elapsed at the date of the relevant event. Any tranche of an RSP award which has vested but which remains subject to a holding period will be released in full.

[1] "Good Leaver" is defined as a participant ceasing to be employed by the Group by reason of death, disability, ill health, redundancy, retirement or any other reason that the Committee determines in its absolute discretion

Options under the SAYE plan and awards under the SIP may vest and, where relevant, be exercised in the event of a cessation of employment or change of control in accordance with the rules of the relevant plan. The plans do not permit the exercise of discretion and, accordingly, the treatment for Executive Directors will be the same as for all other participants.

The terms applying to any "buy-out" award on cessation of employment would be determined when the award was granted.

The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment. Any such payments may include but are not limited to paying any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his/her cessation of office or employment.

External appointments

The Board will consider any request by an Executive Director to take potential non-executive appointments on a case-by-case basis, taking account of the overriding requirements of the Group and the extent to which the Non-Executive Director opportunity supports the agreed personal development objectives of the Executive.

Legacy arrangements

The Committee reserves the right to make remuneration payments and payments for loss of office, and to exercise any discretion available in relation to any such payment, notwithstanding that they are not in line with the Policy set out above:

- where the terms of the payment were agreed before the Policy came into effect; and
- where the terms of the payment were agreed at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration of the individual becoming a Director of the Company.

For these purposes, "payments" include the satisfaction of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" no later than the time the award is granted.

Consideration of conditions elsewhere in the Company

The 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 Harworth's success. The Company holds an Employee AGM which, together with additional employee forum sessions facilitated by the Non-Executive Directors, provides a platform for employees to discuss a range of topics with the Board, including executive remuneration. Ahead of publication of this Policy, the Executive Directors and Chair of the Remuneration Committee hosted a (virtual) briefing and Q&A session on the Policy for all employees. When making decisions on Executive Director remuneration, the Committee considers pay and conditions across the Group as well as any feedback from employees via the Employee Engagement Survey and Employee AGM.

Consideration of shareholder views

The Remuneration Committee maintains a regular dialogue with its major shareholders. In late 2021 and early 2022, we conducted a shareholder consultation regarding this Policy. A substantial majority of shareholders consulted were supportive of the proposed changes. Responding to the feedback received, the Committee has strengthened the post-employment shareholding guidelines that apply to Executive Directors.

The Committee will continue to monitor trends and developments in corporate governance, market practice and shareholder views to ensure the structure of the executive remuneration remains appropriate.

Directors' Remuneration Report continued

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 Executive Directors and Senior Executive Team. The Policy is designed to support the Group's strategy and help attract, retain and incentivise a Senior Executive Team with the requisite skills, knowledge and experience to deliver strong, long-term, sustainable value growth for shareholders. The table below describes how the Committee addressed the factors in Provision 40 of the 2018 UK Corporate Governance Code when determining the Policy.

Alignment to strategy and culture	The Committee is focused on ensuring a healthy culture exists across the entire Group and believes that the Executive Directors and wider Senior Executive Team set the standards for behaviour and conduct across the Group. Bonus awards are focused on Group performance to foster collective accountability and deliver a consistent reward structure across all levels of management. The Group financial and non-financial performance measures ensure that the extent to which bonuses are earned reflects the delivery of our strategy for the benefit of shareholders. The application of ESG measures and personal objectives enables us to incentivise and reward the behaviours that lay the foundations for longer-term success. Our RSP reflects a core principle of rewarding long-term value creation in a cyclical business and supports retention through the market cycle.
Clarity and simplicity	A core reward principle of our Policy is to operate a simple and transparent framework which can be readily cascaded. The remuneration framework is made up of three key elements: fixed pay (including base salary, pension and benefits); annual bonus; and the RSP. The structure is simple to understand for both participants and shareholders and promotes long-term stewardship.
Risk	Annual bonus opportunities are set so as to reflect the long-term nature of our business and at levels which reward high performance, but which do not encourage inappropriate business risk. The Committee has discretion to reduce vesting outcomes under the annual bonus and RSP where it considers that they would not otherwise be representative of the underlying business performance over the vesting period. Annual bonus and RSP awards are also subject to malus and clawback provisions.
Proportionality and fairness	A significant proportion of an Executive Director's reward is linked to performance through the incentive framework, with a clear line of sight between performance against the selected measures and the delivery of long-term shareholder value. Performance measures and the underlying targets for the annual bonus are reviewed by the Committee each year to ensure that they are directly aligned with the Group's strategic priorities, and targets are calibrated to reward Executive Directors for strong performance. Vesting under the RSP is phased over a five-year period, with one-third vesting after three years, one-third after four years and one-third after five years. The holding period means that participants cannot acquire shares until the end of a five-year period, aligning their interests with those of shareholders for the longer term. Executive Directors are also required to build material shareholdings in the Group (200% of base salary). A post-cessation shareholding requirement applies which ensures that their interests are aligned with those of the Group for two years post-cessation of employment. Through the Share Incentive Plan and Save As You Earn scheme we encourage and enable material long-term share ownership for all employees, supporting the long-term nature of our business and its returns.
Predictability	The range of possible rewards for individual Executive Directors is set out in the scenario charts on page 134.

Committee membership and attendance

Membership and attendance at meetings in 2021 are shown below:

		Independent	Committee tenure at 31 December 2021	Scheduled meetings attended/eligible to attend
Angela Bromfield	Chair	Yes	2 years 9 months	6/6
Alastair Lyons	Member	Yes	3 years 10 months	6/6
Lisa Scenna	Member	Yes	1 year 4 months	6/6

During the year, the Committee held six scheduled meetings. The key activities of the Committee during 2021 are shown below:

February	Assessment of 2021 bonus outcomes Assessment of 2018 LTIP outcomes Approval of 2021 salary increases Approval of 2021 bonus measures and targets Approval of 2021 RSP awards Approval of 2021 SAYE awards and Share Incentive Plan awards
July	Review of Remuneration Policy Review of Group-wide maternity, paternity and shared parental leave and pay policies
September	Review of Remuneration Policy Review of remuneration benchmarking for Executive Directors
October	Review of Remuneration Policy Review of employee benefits Review of 2021 bonus targets following approval of the Group's revised strategy
December	In-principle approval of changes to the Remuneration Policy Review 2022 bonus measures and targets

Advisers 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 provide advice and to help the Committee to make 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 2021.

Deloitte's fees in relation to remuneration advice provided to the Committee during 2021 were £49,350 plus VAT, charged on a time and expenses basis. Deloitte also provided advice to the Group during 2021 in relation to corporate tax, pensions and share plans. The Committee did not consider that these engagements impaired Deloitte's independence.

Directors' Remuneration Report continued

Single total figure of remuneration for Executive Directors (audited)

The table below sets out the remuneration received by each Executive Director of the Company for the year ended 31 December 2021 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.

	L. Shillaw[1]		**K. Patmore**	
	2021	2020	**2021**	2020
Fixed pay				
Salary	**£400,000**	£66,666	**£250,000**	£200,000
Taxable benefits[2]	**£16,121**	£2,686	**£10,000**	£10,000
Pension benefit[3]	**£40,000**	£6,666	**£25,000**	£20,000
Subtotal	**£456,121**	£76,018	**£285,000**	£230,000
Variable pay				
Single-year variable	**£362,000**	–	**£226,250**	£101,760
Multi-year variable	**–**	–	**–**	–
Other[4]	**£5,722**	–	**£1,250**	£9,062
Subtotal	**£367,772**	–	**£227,500**	£110,822
Total	**£823,893**	£76,018	**£512,500**	£340,822

[1] Appointed as Chief Executive with effect from 1 November 2020.

[2] Taxable benefits consist of car allowance and private medical insurance. Other benefits include life assurance.

[3] 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.

[4] Other includes Free Shares awarded during the year under the all-employee Share Incentive Plan and options granted during the year under the all-employee Save-As-You-Earn plan. The value of Free Shares is determined based on the face value of the shares at the award date. The value of SAYE options is determined based on the intrinsic value of the award at the grant date.

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 2021 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**	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
A. Lyons	**£162,400**	£160,000	**–**	–	**–**	–	**£162,400**	£160,000
M. Bowes	**£45,675**	£45,000	**–**	–	**–**	–	**£45,675**	£45,000
A. Bromfield[1]	**£45,675**	£45,000	**£7,613**	£1,250	**£7,613**	£1,250	**£60,901**	£47,500
R. Cooke	**£45,675**	£45,000	**–**	–	**–**	–	**£45,675**	£45,000
S. Underwood	**£45,675**	£45,000	**–**	–	**–**	–	**£45,675**	£45,000
L. Scenna[2]	**£45,675**	£15,000	**–**	–	**–**	–	**£45,675**	£15,000
P. O'Donnell Bourke[3]	**£45,675**	£7,500	**£7,613**	£1,250	**–**	–	**£53,288**	£8,750

[1] Angela Bromfield succeeded Lisa Clement as Senior Independent Director and Chair of the Remuneration Committee with effect from 1 November 2020.

[2] Appointed as Non-Executive Director with effect from 1 September 2020.

[3] Appointed as Non-Executive Director and Chair of the Audit Committee with effect from 3 November 2020.

Incentive outcomes for year ended 31 December 2021 (audited)

Annual bonus

Lynda Shillaw's and Kitty Patmore's bonus opportunity for 2021 was equal to 100% of salary subject to a combination of financial performance (as regards 75% of the opportunity), ESG performance (as regards 5% of the opportunity) and personal objectives (as regards 20% of the opportunity).

Performance against targets and subsequent vesting of 2021 annual bonuses are set out in the tables below.

Group financial performance outcome (75% of total bonus opportunity)

The Group undertook a strategic review during 2021 and a redefined strategy was approved by the Board in July – to reach £1bn of EPRA NDV over the following five to seven years. In particular, the strategic review:

1. identified the need to accelerate sales on residential sites to optimise financial returns as sites reach maturity and fund investments in acquisitions and direct development; and
2. shifted the Group's focus away from acquiring income properties to directly developing and retaining more industrial & logistics investment assets, whilst in so doing repositioning the Group's Investment Portfolio to modern Grade A.

The Committee recognised that these changes impacted the Group's priorities as regards acquisitions and sales for the second half of 2022. To avoid management having incentives that conflicted with the revised strategy, the Committee agreed in October to amend the acquisitions and sales targets. Details are provided in footnotes 3 and 4 below. The Committee considered that the revised targets were no less challenging.

Financial measure	Weighting (% of financial element)	Threshold[1]	Target[2]	Maximum	Actual performance	Vesting outcome
Total Accounting Return (growth in EPRA NDV plus dividends paid)	30%	£16.63m	£23.78m	£30.40m	£127.4m	100%
Acquisitions[3,4]	20%	Secure annualised rent growth of £0.6m	Secure annualised rent growth of £0.8m	Secure annualised rent growth of £0.9m	Secured annualised rent growth of £0.958m	50%
		Strategic landbank growth of 7.5%	Strategic landbank growth of 10%	Strategic landbank growth of 15%	Strategic landbank growth of 5.5%	
Sales Volume – base sales[4,5]	12.5%	£57m	£68.7m	£83.7m	£92.5m	100%
Sales Volume – non-core sites[4,5]	7.5%	£8.1m	£9.5m	£13.0m	£14.4m	100%
Profit Excluding Value Gains	20%	£4.73m	£5.98m	£6.98m	£13.1m	100%
Group Net Loan to Portfolio Value	10%	23.0%	20.6%	18.0%	3.4%	100%
Total vesting on financial performance element			75% weighting of total bonus opportunity			90%

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] As a result of the strategic review, the Group's focus shifted mid-year from acquiring income properties, to directly developing and retaining industrial & logistics assets. The Committee therefore agreed that the "secure annualised rent growth" targets should be measured over six months to 30 June 2021 only and, therefore, reduced by 50%.

[4] As a result of the strategic review, the Group identified the need to accelerate sales on residential sites ("Additional Residential Sales"). As the Strategic Landbank Growth and Sales Volume targets set at the start of 2021 did not anticipate the Additional Residential Sales, the Committee agreed to exclude them when determining performance against those targets.

[5] 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.

Directors' Remuneration Report continued

ESG performance outcome (5% of total bonus opportunity)

Threshold[1]	Target[2]	Maximum	Actual performance	Vesting outcome
Complete an updated ESG Strategy as part of the Group's strategic review.	Development of initial measures and short- and long-term targets for all key areas of the ESG Strategy. To include the identification of an achievable decarbonisation target.	Develop a roadmap to achieve the decarbonisation target. Collect initial base data for key measures.	Initial measures and short-term and long-term targets developed for all areas of ESG strategy. Decarbonisation target identified. Initial measures identified to achieve zero carbon on scope 1, 2 and some scope 3 emissions. Data collection has improved but further work needed.	60%

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.

Personal performance outcomes (20% of total bonus opportunity)

Executive Director	Objectives during the year	Performance against objectives during the year	Vesting
L. Shillaw	Executive Leadership • Inspire and motivate Harworth's people to embrace the new senior leadership team, strategy and ways of working	A number of events have been run to engage staff in delivery of the new strategy and significant progress was made in delivery of the strategy in 2021.	100%
	Stakeholders • Cement Harworth as a key regional partner by developing key relationships with Government and other national stakeholders • Develop effective relationships with local government and other local stakeholders such as Local Enterprise Partnerships and Universities • Elevate Harworth's brand profile: ensure that Harworth is perceived as a key regional business by the property sector	Following approval of the strategy the CEO developed and implemented a programme of meetings, presentations and panel interviews designed to raise the profile of Harworth and engage with and influence key stakeholders.	
	Strategy review • Evaluate the Company's current strategy and present analysis of this and options available to the Board in July 2021. Identify steps to implement the approved strategy during H2 2021	A revised strategy was developed and approved by the Board in July 2021. The strategy has been well received by shareholders. Delivery of the strategy is underway.	

K. Patmore	Strategy • Alongside the CEO, evaluate existing portfolio performance and market sector opportunities • Develop a non-financial KPI framework and data collection system to be adopted by the business in regular management reporting • Position the Finance team ready for growth under the new strategy Stakeholders • Develop a comprehensive shareholder engagement plan. This will include evolving investor messaging to convey better the Harworth story (including the new strategy) Capital structure • Establish a Group funding strategy which identifies the capital structure required to deliver the updated strategy and potential funding partners for core debt, project-specific debt and equity partnerships • Complete a refinance of the existing banking facilities ahead of sign-off of the 2021 results • Complete requisite project-specific financing or funding at commercial direct development sites	A complete portfolio evaluation was undertaken and used as a key input into the development of the revised strategy. A new KPI framework has been developed and implemented. The structure and skills of the Finance team have been developed to support the new strategy. A shareholder engagement plan has been successfully implemented. Feedback from an investor survey and brokers confirm that investors understand and support the new strategy. The funding strategy work has been completed with a number of options explored. The appropriate structure was identified and the business has been refinanced to support the delivery of the strategy. Project-specific financing has been completed as required.	100%

Overall bonus outcomes

	Financial		ESG		Personal		Overall bonus outcome	
Executive Director	**Weighting**	**Vesting**	**Weighting**	**Vesting**	**Weighting**	**Vesting**	**% of bonus**	**% of salary**
L. Shillaw	75%	90%	5%	60%	20%	100%	90.5%	90.5%
K. Patmore	75%	90%	5%	60%	20%	100%	90.5%	90.5%

The overall bonus payments were also subject to additional underpins based on, amongst other things, the Company's health and safety record, there being no deficiencies or material adverse issues which materially damage the reputation or performance of the business, and no covenant breach or financial irregularity. The Committee reviewed performance against these underpins and found no cause to reduce the bonus outcomes.

Restricted Share Plan awards granted in 2021 (audited)

RSP awards were granted to Lynda Shillaw and Kitty Patmore on 6 April 2021 at 50% of salary.

Taking into account that the share price used to determine the 2021 RSP awards was higher than the share price used to determine the 2020 RSP awards and that RSP awards are much less leveraged than performance-based share 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]
L. Shillaw	2021 RSP Award Nil-Cost Option	6 April 2021	156,739	£200,000
K. Patmore	2021 RSP Award Nil-Cost Option	6 April 2021	97,962	£125,000

[1] Face value based on the average mid-market closing share price for the five trading days immediately preceding the date of grant (£1.276).

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

Directors' Remuneration Report continued

The RSP award is subject to specific 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 reduce vesting outcomes where it considers that they would not otherwise be representative of the underlying business performance over the vesting period. The Committee will disclose at the time of vesting how performance underpins and underlying business performance over the vesting period have been taken into account.

Percentage change in remuneration of Directors and employees

The table below shows the annual percentage change in each of the Directors' remuneration compared to the average employee remuneration.

	% change between 2020 and 2021			% change between 2019 and 2020		
	Salary & fees	**Benefits**	**Bonus**	**Salary & fees**	**Benefits**	**Bonus**
Executive Directors						
L. Shillaw[1]	n/a	n/a	n/a	n/a	n/a	n/a
K. Patmore[2]	25%	0%	122.3%	n/a	n/a	n/a
Non-Executive Directors						
A. Lyons	1.5%	–	–	0%	–	–
A. Bromfield[3]	28%	–	–	n/a	–	–
R. Cooke[4]	1.5%	–	–	n/a	–	–
S. Underwood	1.5%	–	–	0%	–	–
M. Bowes	1.5%	–	–	0%	–	–
L. Scenna[5]	n/a	–	–	n/a	–	–
P. O'Donnell Bourke[6]	n/a	–	–	n/a	–	–
Average employee (Company)[7]	13.3%	6.5%	157.4%	7%	34%	14%
Average employee (Group)	9.4%	3.8[8]	45.7%	3.3%	5%	(20%)

[1] Appointed as Chief Executive with effect from 1 November 2020 and therefore the annual percentage change in remuneration is not applicable.

[2] Appointed as Chief Financial Officer with effect from 1 October 2019 and therefore the annual percentage change in remuneration between 2019 and 2020 is not applicable.

[3] Appointed as Non-Executive Director with effect from 1 April 2019 and therefore the annual percentage change in remuneration between 2019 and 2020 is not applicable. Succeeded Lisa Clement as Senior Independent Director and Chair of the Remuneration Committee with effect from 1 November 2020.

[4] Appointed as Non-Executive Director with effect from 19 March 2019 and therefore the annual percentage change in remuneration between 2019 and 2020 is not applicable.

[5] Appointed as Non-Executive Director with effect from 1 September 2020 and therefore the annual percentage change in remuneration is not applicable.

[6] Appointed as Non-Executive Director with effect from 3 November 2020 and therefore the annual percentage change in remuneration is not applicable.

[7] 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 sets out the equivalent figures calculated by reference to employees (excluding Directors) of the Company and its subsidiaries.

[8] There have been no changes to the benefits available to our employees. Car allowances are determined by internal gradings and applied consistently. Private medical insurance is available to all employees, their spouses/partners and dependants on the same terms. The increase in average benefits was driven by a change in the overall profile of our workforce, with employees receiving higher car allowances and/or tending to have more dependants resulting in higher private medical insurance costs.

Chief Executive officer pay ratio

The Group has fewer than 250 UK employees and is not therefore required to disclose a Chief Executive pay ratio. However, in line with best practice, the Committee considers it appropriate to disclose the pay ratio voluntarily.

The table below sets out the Chief Executive's total remuneration as a ratio against the full-time equivalent remuneration of employees for the year ended 31 December 2021.

Method	**25th percentile pay ratio**	**Median pay ratio**	**75th percentile pay ratio**
Option A	18:1	12:1	8:1

Option A methodology was selected on the basis that it is a robust approach and is preferred by shareholders and proxy voting agencies. The calculations for the representative employees were performed as at the final day of the relevant financial year.

A substantial proportion of the Chief Executive's total remuneration is performance related and delivered in shares. The ratios will therefore depend significantly on the Chief Executive's annual bonus and RSP outcomes and may fluctuate year-on-year.

The Board believes that the median pay ratio is consistent with the pay, reward and progression policies for the wider workforce.

The table below sets out the pay and benefits figures used to calculate the ratios and the salary component.

Method	**Chief Executive**	**25th percentile pay ratio**	**Median pay ratio**	**75th percentile pay ratio**
Total pay and benefits	£823,893[1]	£46,200	£67,839	£107,348
Salary	£400,000	£42,000	£48,000	£72,500

[1] The Chief Executive's total pay and benefits is the total single figure as disclosed on page 140.

[2] The employee percentile total pay and benefits has been calculated on the same basis as required for the Chief Executive's remuneration for single figure purposes. However, the vesting of awards under the Long-Term Incentive and Deferred Share Bonus Schemes during the year have been omitted from the employee calculations.

Relative importance of spend on pay

Total employee pay expenditure			Distribution to shareholders		
2021	**2020**	**% change**	**2021**	**2020**	**% change**
£11.626m	£8.265m	40.7%	£3.9m	£5.8m	-32.76%

Total employee pay in the year reflected an increase in the average number of employees from 75 to 89, as well as awards for career progression and promotion.

Total dividends for 2021 were 1.212p per share (2020: 1.8p per share), resulting in total dividends of £3.9m (2020: £5.803m). The percentage change is shown on a per share basis. The reduction in dividend is attributable exclusively to the fact that the 2020 final dividend was increased to reflect the cancelled 2019 dividend. Excluding that element, the 2021 dividend represents a 10% increase on the 2020 dividend, in line with our progressive dividend policy.

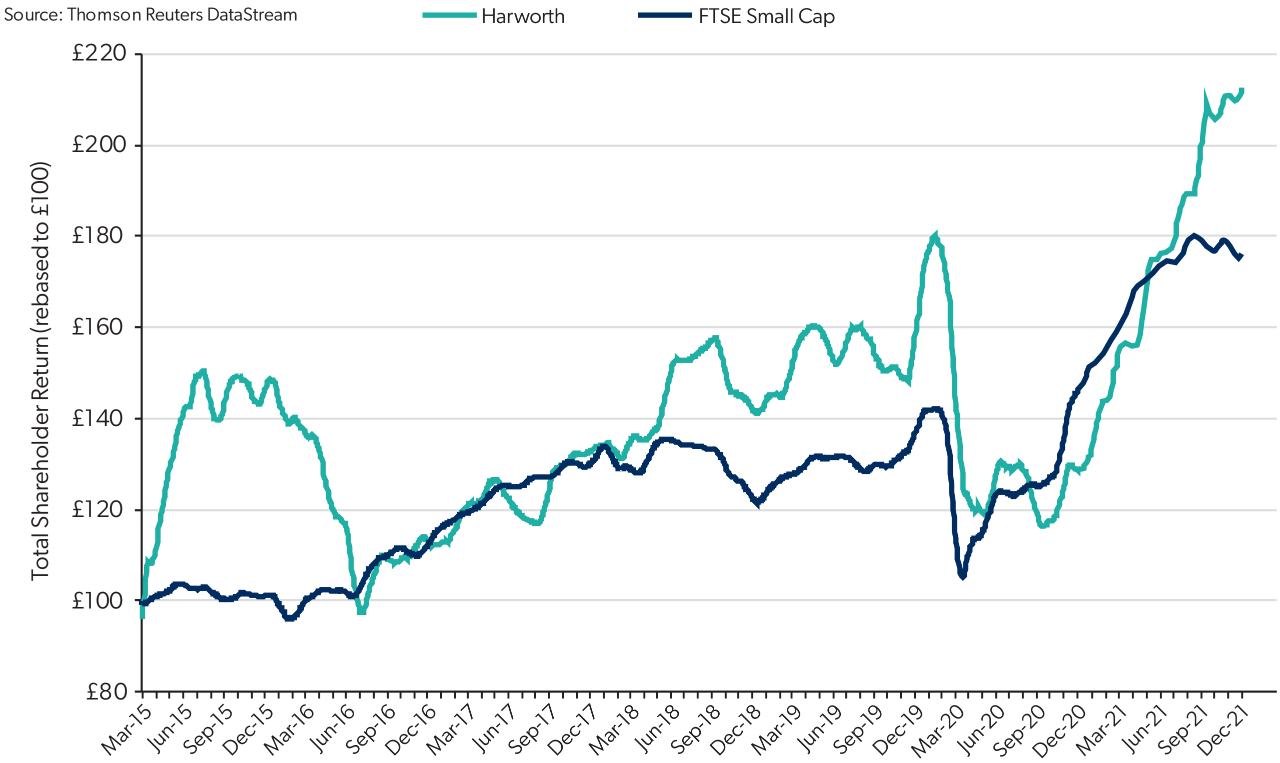
Directors' Remuneration Report continued

Review of past performance

The following chart shows the Total Shareholder Return (TSR) of the Company and the FTSE Small Cap Index over the period from the Company's relisting on 24 March 2015 to 31 December 2021. 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 relisting on 24 March 2015 to 31 December 2021:



Source: Thomson Reuters DataStream

Historical Chief Executive remuneration

	Chief Executive	Single figure remuneration (£'000)	Short-term incentive award as a % of maximum opportunity	Long-term incentive award as a % of maximum opportunity
2021	L. Shillaw	£824	90.5%	n/a
2020	L. Shillaw	£76	n/a	n/a
	O. Michaelson	£559	51.3%	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

[3] Excludes vesting of Harworth Estates LTIP as this was a one-off scheme put in place by HEPGL in 2013.

Loss of office payments and payment to former Directors (audited)

There were no loss of office payments made to past Directors during the year ended 31 December 2021.

As disclosed in the 2020 Directors' Remuneration Report, on Owen Michaelson's retirement on 31 December 2020, his 2019 RSP and two thirds of his 2020 RSP awards remained capable of vesting subject to the satisfaction of the performance underpins and the Committee's assessment of underlying business performance during the respective vesting periods. The first tranche of the 2019 RSP award over 41,178 shares vested in full in March 2022. The vested shares will be subject to a holding period until March 2024.

Implementation of Executive Directors' remuneration policy for 2022

Base salary

The Committee approved the following base salary increases for 2022:

Executive Director	Annual base salary at 1 January 2021	Annual base salary at 1 January 2022
L. Shillaw	£400,000	£421,600
K. Patmore	£250,000	£310,000

Lynda Shillaw's salary was increased by 5.4%, in line with the average increase for the wider workforce.

As detailed in the Annual Statement from the Remuneration Committee Chair on page 125, the base salary increase for Kitty Patmore in 2021 and the base salary increase for 2022, which were based on her performance and increased responsibilities, have the effect of aligning her salary with the market over a two-year period. The Committee strongly believes that this change is in line with the principles of the Group's talent development programme and reflects Harworth's broader commitment to diversity, equality and fairness, ensuring that individuals are appropriately rewarded on the basis of role, experience and performance.

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 2022, the annual bonus opportunity for Lynda Shillaw and Kitty Patmore will be 125% and 100% of salary respectively.

The performance measures have been rebalanced compared to 2021, to provide alignment with the key 2022 financial and strategic priorities under the Group's redefined strategy.

Measure	Weighting (% of bonus opportunity)
Core financial measures	
Total Accounting Return	35%
Acquisitions	15%
Sub-total	**50%**
Strategic measures	
Launch of Build to Rent portfolio	10%
Increase scale of direct developments	20%
Sub-total	**30%**
ESG measures based on progress against ESG short-term and long-term targets	**5%**
Personal objectives	**15%**
Total	**100%**

The overall payment of the bonus will be subject to additional underpins based on, amongst other things, 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 have discretion to reduce the bonus outcome if it is not supported by underlying financial and operational performance, or reflective of the experience of shareholders or employees.

Performance targets are considered to be commercially sensitive at this time but the Committee intends that they will be disclosed in the 2022 Annual Remuneration Report.

Directors' Remuneration Report continued

Restricted Share Plan (RSP) award

RSP awards will be granted to Lynda Shillaw and Kitty Patmore at 75% of salary. Vesting will be phased over a five-year period, with one third vesting after three years, one third after four years and one third after five years. All vested shares must be held to the end of year five, resulting in a total time horizon of five years for all three tranches.

The RSP awards will be subject to specific 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 144 for further details.

Furthermore, the Committee has discretion to reduce 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 2022

The Chair's and Non-Executive Directors' base fees will be increased by 5.4% for 2022. This is in line with the average increase for the wider workforce. Following a review, the fees payable to the Senior Independent Director and Chairs of our Audit and Remuneration Committees will increase by 11.7%, reflecting the scale and complexity inherent in the discharge of the responsibilities of these roles. We will also pay a fee to the Chair of our newly formed ESG Committee. Accordingly, the following fee levels will apply.

Chair	£171,169.60
Non-Executive Director Fee	£48,141.45
Additional Fee for holding the office of Senior Independent Director	£8,500.00
Additional Fee for Chairing the Remuneration Committee	£8,500.00
Additional Fee for Chairing the Audit Committee	£8,500.00
Additional Fee for Chairing the ESG Committee	£6,000.00

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 2021. 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 2021 of £1.80.

	Shares held		**Options held**					
	Beneficially owned	**Unvested & not subject to performance**[1]	**Unvested & subject to performance**[2]	**Unvested & not subject to performance**[3]	**Vested & exercised during 2021**	**Shareholding requirement % salary**	**Current shareholding % salary**	**Requirement met?**
L. Shillaw	132,480	939	156,739	17,595	–	200%	96.5%	N
K. Patmore	28,842	1,900	194,116	24,357	–	200%	94.5%	N
A. Lyons	269,460	–	–	–	–	n/a	n/a	n/a
M. Bowes	–	–	–	–	–	n/a	n/a	n/a
A. Bromfield	22,192	–	–	–	–	n/a	n/a	n/a
R. Cooke	–	–	–	–	–	n/a	n/a	n/a
S. Underwood	38,385	–	–	–	–	n/a	n/a	n/a
L. Scenna	–	–	–	–	–	n/a	n/a	n/a
P. O'Donnell Bourke	40,000	–	–	–	–	n/a	n/a	n/a

[1] Free share awards under the SIP.

[2] Nil-cost options granted under the RSP.

[3] Options granted under the SAYE scheme.

There have been no changes to the holdings listed above between 31 December 2021 and the date of signing of these financial statements.

Summary of Shareholder voting

The table below shows the results of votes at the Harworth Group plc AGMs on: (1) 25 May 2021 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	203,170,802	94.02	12,913,342	5.98	39,676
Approval of Remuneration Policy	258,180,271	99.93	191,584	0.07	5,733,952

ANGELA BROMFIELD
Chair of the ESG Committee
21 March 2022

Directors' Report

Introduction

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2021.

Some of the matters required to be included in this Directors' Report can be found in the Strategic Report or elsewhere in the Governance Report as indicated below:

	Reference
Annual General Meeting	Chair's Introduction, p81 Statement of Corporate Governance, p100
Auditors	Audit Committee Report, p114
Composition and operation of administrative, management and supervisory bodies and committees	Statement of Corporate Governance,pp89-91
Directors' interests in shares	Directors' Remuneration Report, p149
Directors' remuneration	Directors' Remuneration Report, p144
Disclosure of information to auditors	Statement of Directors' Responsibilities, p155
Diversity	Nominee Committee Report, pp105-109
Employee numbers	Strategic Report, p25
Employee engagement	Strategic Report, p63
Employees with disabilities	Nominee Committee Report, p109
Employee share schemes	Strategic Report, p63 Directors' Remuneration Report, p132
Future developments of the business	Strategic Report, p29
Going concern	Statement of Directors' Responsibilities, pp154-155
Greenhouse gas emissions	Strategic Report, p64
Post-Balance sheet events	Financial Statements, Note 31, p222
Risk management and internal controls	Strategic Report, pp70-77 Audit Committee Report, pp115-116
Significant related party transactions	Financial statements, Note 30, pp219-221
Viability statement	Strategic Report, pp41-43
UK Corporate Governance Code	Statement of Corporate Governance, p86

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 2021 was £127.2m (2020: £33.3m). The net assets attributable to shareholders of the Group increased to £578.0m (2020: £488.7m) over the financial year. The Group's NAV per share and EPRA NDV per share rose by 18.2% (2020: 5.2%) and 23.5% (2020: 2.8%) respectively during the year.

The Board is recommending a final dividend of 0.845 pence per share which, together with the interim dividend of 0.367 pence per share paid in October 2021, makes a combined dividend of 1.212 pence (2020: 1.8 pence) per share. Payment of the final dividend, if approved at the 2021 AGM, will be made on 27 May 2022 to shareholders on the register at the close of business on 6 May 2022. The ex-dividend date will be 5 May 2022.

The dividend paid in the year to 31 December 2021 was 1.833 pence (2020: 0.334 pence) per share, comprising the 2020 final dividend of 1.466 pence per share and the interim dividend of 0.367 pence per share for 2021.

Share capital and allotment of shares

Details of the Company's issued share capital are shown in Note 26 to the Financial Statements on page pages 217 to 218. There is only one class of share in issue: ordinary shares of 10 pence each.

There are no restrictions on the transfer of shares in the Company, save for the power of the Board to refuse to transfer shares in certain circumstances prescribed by the Articles of Association, and those specified by law or regulation (for example, insider trading laws) and pursuant to the Listing Rules of the Financial Conduct Authority whereby certain employees of the Group require the approval of the Company to deal in the shares.

All shares carry equal rights to dividends, voting and return of capital on the winding up of the Company, as set out in the Company's Articles of Association, and are fully paid.

On a show of hands at a general meeting of the Company, every holder of shares present in person and entitled to vote shall have one vote and on a poll every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The notice of the 2022 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 2021 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 2022 AGM and a resolution will be proposed for its renewal.

The Company's issued share capital as at 31 December 2020 was 322,530,807 ordinary shares of 10 pence each. During 2021 the issued share capital was increased 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
13 May 2021	Grant of SIP awards	63,852	Nil consideration
4 June 2021	Exercise of SAYE options	31,845	87.6p (39%)
11 June 2021	Exercise of SAYE options	7,762	87.6p (37.9%)
18 June 2021	Exercise of SAYE options	2,054	87.6p (37.9%)
25 June 2021	Exercise of SAYE options	7,442	73.9p (50.7%)
9 July 2021	Exercise of SAYE options	5,136	87.6p (37.7%)
30 September 2021	Exercise of SAYE options	3,082	87.6p (50%)
27 October 2021	Exercise of SAYE options	4,109	87.6p (48.5%)

As such, as at 31 December 2021, the Company's issued share capital was 322,724,566 ordinary shares of 10 pence each. There have been no changes to the issued share capital of the Company since 31 December 2021.

Directors' Report continued

Under Section 561 of the Companies Act 2006 (**Companies Act**), if the Directors wish to allot unissued shares for cash (subject to certain exceptions, including allotments pursuant to an approved employee share scheme) they must first offer them to existing shareholders in proportion to their holdings (a pre-emptive offer). By a special resolution at the 2021 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 2021 AGM. The Directors propose to renew this authority at the 2022 AGM.

Purchase of the Company's own shares

The Company has authority under a shareholders' resolution passed at the 2021 AGM to purchase up to 32,259,928 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 2022 AGM. No shares have been purchased by the Company under that authority. A special resolution will be proposed at the 2022 AGM to renew this authority. Any shares purchased under this authority will be cancelled (unless the Directors determine that they are to be held as treasury shares) and the number of shares in issue will be reduced accordingly.

Directors

The Directors who held office during the financial year ended 31 December 2021 and up to the date of this Report are:

Chairman

Alastair Lyons (Chair)

Executive Directors

Lynda Shillaw (Chief Executive)
Katerina Patmore (Chief Financial Officer)

Independent Non-Executive Directors

Angela Bromfield (Senior Independent Director)
Ruth Cooke
Lisa Scenna
Patrick O'Donnell Bourke

Non-Executive Directors (not independent)

Steven Underwood
Martyn Bowes

Biographical details of the Directors are contained on pages 82 to 85.

The Directors' Remuneration Report, which includes details of Directors' service agreements and their interests in the shares of the Company, is set out on pages 133 and 149 respectively. Copies of the service agreements of the Executive Directors and letters of appointment for the Non-Executive Directors are available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Company's 2022 AGM.

In accordance with the UK Corporate Governance Code, all Directors will offer themselves for re-election at the 2022 AGM.

Save as set out on page 97 of the Corporate Governance Statement no Director has, or has had, a material interest, directly or indirectly, at any time during the year under review in any contract significant to the Company's business.

The Directors may exercise all the powers of the Company, subject to compliance with relevant laws, the Company's Memorandum and Articles of Association and any directions given by special resolution of shareholders.

Financial Risk Management

The Group's overall risk management programme includes a focus on credit and liquidity risks to minimise potential adverse effects of the Group's financial performance; further detail, including the Group's use of a financial instrument as part of managing the interest rate risk on external borrowings, is set out in Note 23 to the Financial Statements.

Directors' indemnities, insurance and independent advice

The Company maintains Directors' and Officers' liability insurance. To the extent permitted by UK law, the Company indemnifies its Directors against claims brought against them as a consequence of the execution of their duties as Directors of the Company. The Board has established a procedure by which any Director, for the purpose of furthering his or her duties, may take independent professional advice at the Company's expense. No Director had reason to use this facility in 2021.

Charitable and political donations

The Group made charitable donations during 2021 in the aggregate sum of £61,642 (2020: £43,700). Some of the local and national charities we supported are displayed on page 55.

No political donations were made during the year (2020: £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 2021 AGM for certain political donations and expenditure, subject to financial limits, and will seek to renew this authority at the 2022 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. During 2021, shares issued pursuant to Share Incentive Plan awards were held by Yorkshire Building Society pending maturity. In January 2022, these shares were transferred to Equiniti Limited. At 31 December 2021, the EBT held 5,669 (2020: 4,726) ordinary shares of 10 pence each in the Company and Yorkshire Building Society held 170,918 (2020: 115,760) ordinary shares of 10 pence each in the Company, being in aggregate 176,587 (2020: 120,847) shares which represent 0.05% 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 2021 AGM. The Directors are proposing to seek renewal of that authority at the 2022 AGM.

Substantial shareholdings and agreements with shareholders

As at the date of this Report the Company had been notified, pursuant to paragraph 5 of the FCA's Disclosure and Transparency Rules, of the following notifiable voting rights:

Name of holder	Number of ordinary shares	Percentage of total voting rights
London and Amsterdam Trust Company	84,391,475	26.15%
Pension Protection Fund	73,966,672	22.92%
Goodweather Holdings Limited[1]	45,500,000	14.10%
Schroder Investment Management	16,194,993	5.02%

[1] 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 a relationship agreement pursuant to which, amongst other things, the PPF is entitled to appoint a representative Director to the Board.

Change of control provisions

Under the terms of the revolving credit facility agreement entered into between National Westminster Bank plc, Santander UK plc, HSBC UK Bank plc and Harworth Estates Property Group Limited (**HEPGL**) in March 2022, if any person or Group of persons acting in concert gains direct or indirect control of HEPGL the facility is capable of being cancelled in which event all outstanding loans and bonds, guarantees or letters of credit together with accrued interest shall become immediately due and payable.

Transactions with related parties

Transactions entered into with related parties during 2021 are disclosed in Note 30 to the Financial Statements and referenced in the Corporate Governance Statement at page 97.

The Directors' Report was approved by the Board of Directors and signed on its behalf by:

CHRIS BIRCH
General Counsel and Company Secretary
21 March 2022

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Parent Company financial statements in accordance with UK-adopted international accounting standards (IFRSs). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing these Financial Statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company financial position and financial performance;
- in respect of the Group financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the Parent Company financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and/or the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Company and the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Parent Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Responsibility statements

The Directors (see the list of names and roles on pages 82 to 85) confirm, to the best of their knowledge:

- that the consolidated Financial Statements, prepared in accordance with UK-adopted international accounting standards give a true and fair view of the assets, liabilities, financial position and profit of the Parent Company and undertakings included in the consolidation taken as a whole;
- that the Annual Report, including the strategic report, includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- that they consider the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Going concern

These financial statements are prepared on the basis that the Group is a going concern. In forming its opinion as to going concern, the Company prepares cash flow and banking covenant forecasts based upon its assumptions with particular consideration to the key risks and uncertainties, as well as taking into account available borrowing facilities. The going concern period assessed is until June 2023 which has been selected as it can be projected with a good degree of expected accuracy and covers a complete period of reporting under the Group's RCF.

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

The key risks considered are:

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

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

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

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

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

Based on these considerations, together with available market information and the Directors' knowledge and experience of the Group's property portfolio and markets, the Directors considered it appropriate to adopt a going concern basis of accounting in the preparation of the 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 auditor is unaware; and
- each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant information and to establish that the Group's and Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 Companies Act.

This Statement of Directors' Responsibilities was approved by the Board and signed by order of the Board:

CHRIS BIRCH
General Counsel and Company Secretary
21 March 2022

Financial Statements

Contents

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 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Harworth Group plc (**the Parent Company**) and its subsidiaries (**the Group**) for the year ended 31 December 2021 which comprise:

Group	Parent Company
Consolidated income statement for the year ended 31 December 2021	Balance sheet as at 31 December 2021
Consolidated statement of comprehensive income for the year ended 31 December 2021	Statement of changes in equity for the year ended 31 December 2021
Consolidated balance sheet as at 31 December 2021	Statement of cash flows for the year ended 31 December 2021
Consolidated statement of changes in equity for the year ended 31 December 2021	Related notes 1-31 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the year ended 31 December 2021	
Related notes 1-31 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

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

Independence

We are independent of the Group and Parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- confirming our understanding of management's going concern assessment process, through our walkthrough of the Group's financial close process and also engaging with management early to ensure all factors we identified were considered in their assessment;
- obtaining management's going concern assessment, including the cash forecasts and covenant calculations for the going concern period which covers the period to 30 June 2023. The Group has modelled a base scenario and a severe downside scenario in its cash forecasts and covenant calculations in order to incorporate unexpected changes to the forecasted liquidity of the Group.

  The downside scenario considered a severe but plausible reduction in development property sales, a material increase in bad debts, a material decline in land and investment property values and a significant increase in interest rates. In this scenario the Group continues to have sufficient cash reserves and headroom on lending facilities and associated covenants. In addition, a scenario has been run which demonstrates that a very severe loss of revenue, valuation reductions and interest cost increases would be required to breach cash flow and banking covenants.
- testing the assumptions included in each modelled scenario for the cash forecasts and covenant calculations and considering the impact of Covid-19. We also considered the appropriateness of the models used to calculate the cash forecasts and covenant calculations to determine if they were appropriately sophisticated to be able to make an assessment on going concern;
- considering the mitigating factors that could be applied to the cash forecasts and covenant calculations that are within control of the Group, for example, reducing uncommitted development and acquisition expenditure. This included review of the Company's non-operating cash outflows;
- verifying the credit facilities available to the Group including the new March 2022 agreed, five-year, £200m revolving credit facility;
- performing reverse stress testing in order to identify what factors would lead to the Group utilising all liquidity or breaching the financial covenants during the going concern period;
- reviewing the Group's going concern disclosures included in the Annual Report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for a period of 16 months to June 2023.

In relation to the Group and Parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of 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 99% of the Group's Revenue.
Key audit matters	• Valuation of investment properties • Carrying value of development property
Materiality	• Overall Group Materiality: £7.6m which represents 1% of total assets. • Specific Group Materiality: £2.3m which represents 5% of Profit before property revaluation movements, finance costs and tax.

Independent auditor's report to the members of Harworth Group Plc continued

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.

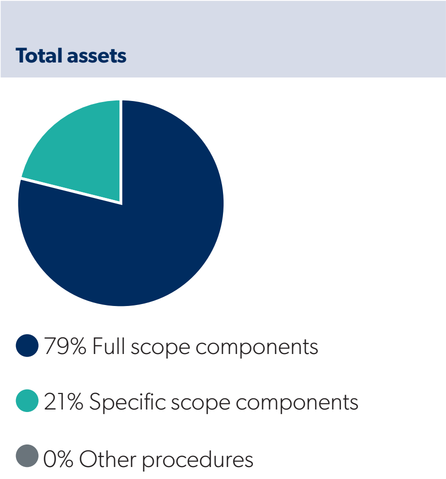
In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 36 reporting components of the Group, we selected 11 components, which represent the principal business units within the Group.

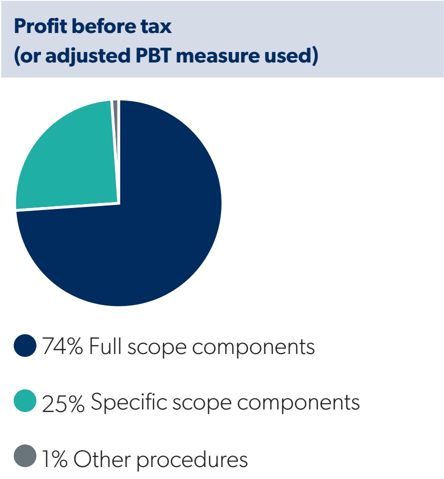
Of the 11 components selected, we performed an audit of the complete financial information of 6 components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 5 components ("specific scope components"), we performed audit procedures on specific 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.

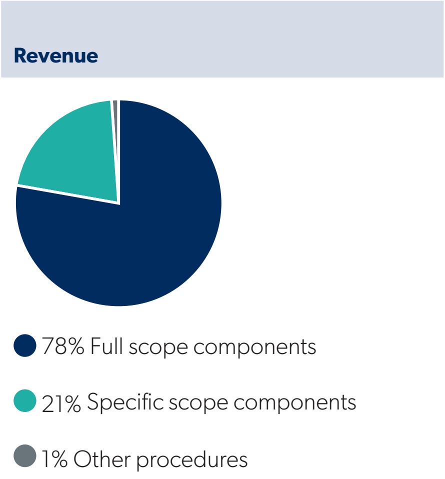
The reporting components where we performed audit procedures accounted for 100% of the Group's Total assets, 99% of the Group's Profit before property revaluation movements, finance costs and tax and 99% of the Group's Revenue. For the current year, the full scope components contributed 79% (2020: 80%) of the Group's Total assets, 74% (2020: 98%) of the Group's Profit before property revaluation movements, finance costs and tax and 78% (2020: 70%) of the Group's Revenue. The specific scope component contributed 21% (2020: 20%) of the Group's Total assets, 25% (2020: 1%) of the Group's Profit before property revaluation movements, finance costs and tax and 21% (2020: 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 accounts tested for the Group.

Of the remaining 25 components that together represent 1% of the Group's Profit before property revaluation movements, finance costs and tax and 1% 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 the audit team.







Changes from the prior year

The current year scope is consistent with our approach to the prior year audit.

Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact Harworth Group plc. The Group has determined that the most significant future impacts from climate change on their operations will be from embedding environmental sustainability into its Investment and Development property assets. These are explained on pages 65 to 69 in the required Task Force for Climate related

Financial Disclosures and on pages 71 to 77 in the principal risks and uncertainties, which form part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

As explained in the Basis of Preparation note governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known.

Our audit effort in considering climate change was focused on ensuring that the effects of climate risks disclosed on pages 65 to 69 have been appropriately reflected in asset values and associated disclosures, being Investment property and Development property. Details of our procedures and findings on Investment property and Development property are included in our key audit matters below. We also challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

Whilst the Group have stated their commitment to the aspirations of the Paris Agreement to achieve net zero emissions by 2050, the Group are currently unable to determine the full future economic impact on their business model, operational plans and customers to achieve this and therefore as set out above the potential impacts are not fully incorporated in these financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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 (£478.4m, 2020: £373.1m) *Refer to the Audit Committee Report (pages 110 to 117); Accounting policies (page 177); and Note 14 of the Consolidated Financial Statements (pages 198 to 201)* At 31 December 2021 Investment property held a value of £478.4m, with a valuation gain of £84.0m 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. Assessing the appropriateness of the valuations, with the assistance of our EY Valuations specialists, through: • Testing the underlying data provided to the external valuer by management, by checking a sample to source documents (e.g. rental contracts, third party costs to complete assessments); • Attending a sample of sites, alongside the external valuer to gain a detailed understanding of the portfolio and the valuation process and to observe the specialist's inspection; • Reading the external valuer reports for all sites and holding discussions directly with the external valuer regarding its valuation approach, including its consideration of climate risk; and • Validating, for a sample of assets, the appropriateness of the key assumptions applied by the external valuer in forming its valuation by comparing to third party evidence of market activity (e.g. yields, price per acre) and considering contrary evidence. Considering the location of a sample of assets within the UK and assessing whether there was any impairment risk due to potential flooding. We performed the above audit procedures over this risk area at a Group level covering 100% of the risk amount.	Based on the work performed, we consider that the external valuers' methodologies used in developing the estimate are consistent with valuation practice given the characteristics of the assets being measured. Our work did not identify evidence to contradict the external valuers' significant assumptions used in developing the estimate as at the balance sheet date. We consider that the valuation of investment properties held as at the balance sheet date is appropriate.

Independent auditor's report to the members of Harworth Group Plc continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Carrying value of Development Property (£172.7m, 2020: £177.7m) *Refer to the Audit Committee Report (page 110-117); Accounting policies (page 176); and Note 16 of the Consolidated Financial Statements (page 205)* Development property has a book value of £172.7m at 31 December 2021.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 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, with additional consideration of the appropriateness of the cost to complete assumptions. For a sample of development properties, we validated cost to complete assumptions to third party surveyor reports and also held a discussion with management to assess the appropriateness of climate-related costs included and corroborated their inclusion to the surveyor reports obtained. This testing was supplemented by procedures over the book value (cost) of the assets, which included: • Testing a sample of costs incurred to third party invoices to ensure they had been accounted for correctly and coded to the correct project • Agreeing a sample of acquisitions and disposals made in the year to the signed contract • Confirming the classification of properties is appropriate based on the nature of the site. We performed the above audit procedures over this risk area at a Group level covering 100% of the risk amount.	Based on the work performed, we consider that the external valuer's methodologies used in developing the estimate of net realisable value are consistent with valuation practice given the characteristics of the assets being measured. Our work did not identify evidence to contradict the external valuer's significant assumptions used in developing the estimate as of the balance sheet date. We consider that the carrying value of development properties held as of the balance sheet date is appropriate.

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 materiality for the Group to be £7.6 million (2020: £7.5 million), which is 1% (2020: 1%) of total assets. 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 focused on the valuation of the Group's assets, primarily the investment property portfolio.

We determined materiality for the Parent Company to be £2.1 million (2020: £2.2 million), which is 1% (2020: 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.

During the course of our audit, we reassessed initial materiality and amended it for the year end results.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that overall and specific performance materiality was 75% (2020: 50%) of our planning materiality, being £5.7m (2020: £3.7m). For balances where we consider specific materiality to be appropriate, our performance materiality was £1.7m (2020 - £0.4m). We have set performance materiality at this percentage due to this being our second year of engagement and, from our prior year experience, an expectation of a low level of audit differences.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.4m (2020: £0.4m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report set out on pages 2 to 155, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the Company's corporate governance statement and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the Strategic Report or the Directors' Report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules

Independent auditor’s report to the members of Harworth Group Plc continued

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors’ Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit
- a Corporate Governance Statement has not been prepared by the Company

Corporate Governance Statement

We have reviewed the Directors’ statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Company’s compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors’ statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 154 to 155;
- Directors’ explanation as to its assessment of the Company’s prospects, the period this assessment covers and why the period is appropriate set out on pages 41 to 43;
- Director’s statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 43;
- Directors’ statement on fair, balanced and understandable set out on page 154;
- Board’s confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 70 to 77;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on pages 115 to 117; and;
- The section describing the work of the Audit Committee set out on pages 110 to 117

Responsibilities of Directors

As explained more fully in the Directors’ responsibilities statement set out on page 154, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s responsibilities for the audit of the financial statements

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

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

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

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (UK adopted International Accounting Standards, the Companies Act 2006, and the UK Corporate Governance Code).
- We understood how Harworth Group plc is complying with those frameworks by making enquiries of management, those responsible for legal and compliance procedures and the Company Secretary. We corroborated 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 Financial Reporting Council'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 ended 31 December 2020 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is two years, covering the years ended 31 December 2020 to 31 December 2021.

- 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
21 March 2022

Consolidated Income Statement

for the year ended 31 December 2021

	Note	**Year ended 31 December 2021 £'000**	Year ended 31 December 2020 £'000
Revenue	3	**109,884**	70,001
Cost of sales	3	**(61,185)**	(59,385)
Gross profit	3	**48,699**	10,616
Administrative expenses	3	**(19,202)**	(14,522)
Other gains	3	**92,488**	31,734
Other operating expense	3	**(58)**	(63)
Operating profit	3	**121,927**	27,765
Finance costs	6	**(4,100)**	(3,473)
Finance income	6	**182**	377
Share of profit of joint ventures	15	**9,225**	8,655
Profit before tax		**127,234**	33,324
Tax charge	8	**(33,244)**	(7,528)
Profit for the financial year		**93,990**	25,796

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	**29.1**	8.0
Diluted earnings per share	11	**28.9**	8.0

The Notes on pages 174 to 222 are an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2021

	Note	**Year ended 31 December 2021 £'000**	Year ended 31 December 2020 £'000
Profit for the financial year		**93,990**	25,796
Other comprehensive income/(expense) - *items that will not be reclassified to profit or loss:*			
Net actuarial gain/(loss) in Blenkinsopp Pension scheme	24	**262**	(339)
Revaluation of Group occupied property		**(200)**	48
Deferred tax on other comprehensive (expense)/income items	8	**(137)**	115
Other comprehensive income/(expense) - *items that may be reclassified to profit or loss:*			
Fair value of financial instruments	22	**670**	(267)
Total other comprehensive income/(expense)		**595**	(443)
Total comprehensive income for the financial year		**94,585**	25,353

Consolidated Balance Sheet

as at 31 December 2021

	Note	**As at 31 December 2021 £'000**	As at 31 December 2020 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**681**	1,007
Right of use assets	13	**94**	170
Trade and other receivables	17	**5,369**	–
Investment properties	14	**478,355**	373,079
Investment in joint ventures	15	**36,131**	25,316
		520,630	399,572
Current assets			
Inventories	16	**177,822**	182,666
Trade and other receivables	17	**49,755**	56,441
Assets classified as held for sale	18	**1,925**	7,594
Cash	19	**12,037**	12,710
		241,539	259,411
Total assets		**762,169**	658,983
LIABILITIES			
Current liabilities			
Trade and other payables	21	**(94,316)**	(66,486)
Lease liability	13	**(42)**	(77)
Current tax liabilities	8	**(2,947)**	(209)
		(97,305)	(66,772)
Net current assets		**144,234**	192,639
Non-current liabilities			
Borrowings	20	**(37,781)**	(83,882)
Trade and other payables	21	**(5,686)**	(1,954)
Lease liability	13	**(52)**	(102)
Derivative financial instruments	22	**(156)**	(826)
Deferred income tax liabilities	8	**(42,647)**	(15,767)
Retirement benefit obligations	24	**(558)**	(968)
		(86,880)	(103,499)
Total liabilities		**(184,185)**	(170,271)
Net assets		**577,984**	488,712
SHAREHOLDERS' EQUITY			
Capital and reserves			
Called up share capital	26	**32,272**	32,253
Share premium account	27	**24,627**	24,567
Fair value reserve		**199,629**	132,833
Capital redemption reserve		**257**	257
Merger reserve		**45,667**	45,667
Investment in own shares		**(24)**	(73)
Retained earnings		**181,566**	227,412
Current year profit		**93,990**	25,796
Total shareholders' equity		**577,984**	488,712

The financial statements on pages 166 to 222 were approved by the Board of Directors on 21 March 2022 and were signed on its behalf by:

Lynda M. Shillaw

LYNDA SHILLAW
Chief Executive

KATERINA PATMORE
Chief Financial Officer

Company Registered Number 02649340

Company Balance Sheet

as at 31 December 2021

	Note	**As at 31 December 2021 £'000**	As at 31 December 2020 £'000
ASSETS			
Non-current assets			
Investments in subsidiaries	15	**209,300**	208,974
Retirement reimbursement asset	24	**558**	968
Deferred income tax assets	8	**229**	2,142
		210,087	212,084
Current assets			
Trade and other receivables	17	**27,751**	29,495
Cash	19	**2,909**	1,652
		30,660	31,147
Total assets		**240,747**	243,231
LIABILITIES			
Current liabilities			
Trade and other payables	21	**(26,287)**	(14,800)
		(26,287)	(14,800)
Net current assets		**4,373**	16,347
Non-current liabilities			
Retirement benefit obligations	24	**(558)**	(968)
		(558)	(968)
Total liabilities		**(26,845)**	(15,768)
Net assets		**213,902**	227,463
SHAREHOLDERS' EQUITY			
Called up share capital	26	**32,272**	32,253
Share premium account	27	**24,627**	24,567
Capital redemption reserve		**257**	257
Merger reserve		**45,667**	45,667
Investment in own shares		**(24)**	(73)
Retained earnings		**119,481**	127,709
Current year loss	9	**(8,378)**	(2,917)
Total shareholders' equity		**213,902**	227,463

The financial statements on pages 166 to 222 were approved by the Board of Directors on 21 March 2022 and were signed on its behalf by:

Lynda M. Shillaw

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 2021

	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 2020		**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 investment property		–	–	–	(18,994)	–	–	18,994	–
Other comprehensive (expense)/income:									
Actuarial loss in Blenkinsopp pension Scheme	24	–	–	–	–	–	–	(339)	(339)
Revaluation of Group occupied property		–	–	–	48	–	–	–	48
Fair value of financial instruments	22	–	–	–	–	–	–	(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 payment	25	–	–	–	–	–	(6)	393	387
Dividends paid	10	–	–	–	–	–	–	(1,077)	(1,077)
Share issue	26,27	62	208	–	–	–	–	–	270
Balance at 31 December 2020		**32,253**	**24,567**	**45,667**	**132,833**	**257**	**(73)**	**253,208**	**488,712**
Profit for the financial year		–	–	–	–	–	–	93,990	93,990
Fair value gains		–	–	–	88,586	–	–	(88,586)	–
Transfer of unrealised gains on disposal of investment property		–	–	–	(21,590)	–	–	21,590	–
Other comprehensive (expense)/income:									
Actuarial gain in Blenkinsopp pension scheme	24	–	–	–	–	–	–	262	262
Revaluation of Group occupied property		–	–	–	(200)	–	–	–	(200)
Fair value of financial instruments	22	–	–	–	–	–	–	670	670
Deferred tax on other comprehensive (expense)/income items	8	–	–	–	–	–	–	(137)	(137)
Total comprehensive income for year ended 31 December 2021		–	–	–	**66,796**	–	–	**27,789**	**94,585**
Transaction with owners:									
Purchase of own shares		–	–	–	–	–	(21)	–	(21)
Share-based payment	25	–	–	–	–	–	76	472	548
Dividends paid	10	–	–	–	–	–	–	(5,913)	(5,913)
Share issue	26,27	19	60	–	–	–	(6)	–	73
Balance at 31 December 2021		**32,272**	**24,627**	**45,667**	**199,629**	**257**	**(24)**	**275,556**	**577,984**

Company Statement of Changes in Equity

for the year ended 31 December 2021

	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 2020		**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	24	–	–	–	–	–	(339)	(339)
Deferred tax on actuarial loss on pension scheme		–	–	–	–	–	64	64
Total comprehensive income for year ended 31 December 2020		–	–	–	–	–	**(3,192)**	**(3,192)**
Transaction with owners:								
Share-based payment	25	–	–	–	–	(6)	507	501
Dividends paid	10	–	–	–	–	–	(1,077)	(1,077)
Share issue	26,27	62	208	–	–	–	–	270
Balance at 31 December 2020		**32,253**	**24,567**	**45,667**	**257**	**(73)**	**124,792**	**227,463**
Loss for the financial year		–	–	–	–	–	(8,378)	(8,378)
Actuarial gain in Blenkinsopp pension scheme	24	–	–	–	–	–	262	262
Deferred tax on other comprehensive (expense)/ income items		–	–	–	–	–	(34)	(34)
Total comprehensive income for year ended 31 December 2021		–	–	–	–	–	**(8,150)**	**(8,150)**
Transaction with owners:								
Purchase of own shares		–	–	–	–	(21)	–	(21)
Share-based payment	25	–	–	–	–	76	374	450
Dividends paid	10	–	–	–	–	–	(5,913)	(5,913)
Share issue	26,27	19	60	–	–	(6)	–	73
Balance at 31 December 2021		**32,272**	**24,627**	**45,667**	**257**	**(24)**	**111,103**	**213,902**

Consolidated Statement of Cash Flows

for the year ended 31 December 2021

	Note	**Year ended 31 December 2021 £'000**	Year ended 31 December 2020 £'000
Cash flows from operating activities			
Profit before tax for the financial year		**127,234**	33,324
Net finance costs	6	**3,918**	3,096
Other gains	3	**(92,488)**	(31,734)
Share of profit of joint ventures	15	**(9,225)**	(8,655)
Share-based transactions[1]	25	**426**	618
Depreciation of property, plant and equipment and right of use assets	12, 13	**234**	285
Pension contributions in excess of charge	24	**(148)**	(140)
Operating cash inflow/(outflow) before movements in working capital		**29,951**	(3,206)
Decrease in inventories		**4,133**	19,385
(Increase)/decrease in receivables		**(3,715)**	2,768
Increase in payables		**26,669**	6,830
Cash generated from operations		**57,038**	25,777
Interest paid		**(3,531)**	(2,924)
Corporation tax paid		**(3,646)**	(2,127)
Cash generated from operating activities		**49,861**	20,726
Cash flows from investing activities			
Interest received		**182**	377
Investment in joint ventures		**(1,624)**	(289)
Distributions from joint ventures		**34**	8,930
Acquisition of group of assets		**–**	(4,092)
Net proceeds from disposal of investment properties, assets held for sale and overages		**44,472**	27,651
Property acquisitions		**(18,105)**	(9,340)
Expenditure on investment properties and assets held for sale		**(22,851)**	(42,647)
Expenditure on property, plant and equipment		**(32)**	(115)
Cash generated from/(used in) investing activities		**2,076**	(19,525)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares		**68**	237
Purchase of own shares		**(21)**	–
Proceeds from other loans		**4,900**	–
Repayment of other loans		**(4,425)**	(2,932)
Proceeds from bank loans		**45,000**	82,000
Repayment of bank loans		**(91,000)**	(78,000)
Loan arrangement fees		**(1,134)**	(479)
Payment in respect of leases		**(85)**	(73)
Dividends paid	10	**(5,913)**	(1,077)
Cash used in financing activities		**(52,610)**	(324)
(Decrease)/Increase in cash		**(673)**	877
Cash at 1 January		**12,710**	11,833
(Decrease)/Increase in cash		**(673)**	877
Cash at 31 December		**12,037**	12,710

[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 2021

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Cash flows from operating activities		
Loss before tax for the financial year	**(6,479)**	(3,110)
Net interest receivable	**(80)**	(300)
Share-based transactions[1]	**109**	118
Pension contributions in excess of charge	**262**	(339)
Operating cash outflows before movements in working capital	**(6,188)**	(3,631)
Decrease/(increase) in receivables	**1,744**	(328)
Increase in payables	**11,487**	4,645
Cash generated from operations	**7,043**	686
Interest paid	**–**	(281)
Cash generated from operating activities	**7,043**	405
Cash flows from investing activities		
Interest received	**80**	581
Cash generated from investing activities	**80**	581
Cash flows from financing activities		
Net proceeds from issue of ordinary shares	**68**	237
Purchase of own shares	**(21)**	–
Dividends paid	**(5,913)**	(1,077)
Cash used in financing activities	**(5,866)**	(840)
Increase in cash	**1,257**	146
Cash at 1 January	**1,652**	1,506
Increase in cash	**1,257**	146
Cash at 31 December	**2,909**	1,652

(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 2021

1. Accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all of the years presented, unless otherwise stated.

General information

Harworth Group plc, company number 02649340, (the 'Company') is a company limited by shares, incorporated and domiciled in the United Kingdom. The address of its registered office is Advantage House, Poplar Way, Catcliffe, Rotherham, South Yorkshire, S60 5TR.

The Company is a public company listed on the London Stock Exchange.

The consolidated financial statements for the year ended 31 December 2021 consolidate the results of the Company and its subsidiaries (together referred to as the 'Group').

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 international accounting standards in conformity with the requirements of the Companies Act 2006 and UK adopted International Accounting Standards ('IFRS'). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets and liabilities at fair value through profit or loss.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report in the Annual Report and the financial statements and notes. The Directors believe that the Group is well placed to manage its business risks successfully. The principal risks that may impact the Group's performance and their mitigation are outlined in the Principal Risks & Uncertainties statement starting on page 71. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to fund its operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the annual financial statements.

Going-concern basis

These financial statements are prepared on the basis that the Group is a going concern. In forming its opinion as to going concern, the Company prepares cash flow and banking covenant forecasts based upon its assumptions with particular consideration to the key risks and uncertainties, as well as taking into account available borrowing facilities. The going concern period assessed is until June 2023 which has been selected as it can be projected with a good degree of expected accuracy and covers a complete period of reporting under the Group's RCF.

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

The key risks considered are: 1) Finance – availability of capital, interest costs, shortfalls in income and valuations; 2) Markets – a severe but temporary downturn in residential or industrial & logistics markets could reduce potential sales of serviced land and potentially impact on valuations; 3) Climate Change – the potential impacts of managing climate change transition; 4) Project Delivery – delays in project works on sites and planning approval processes, and 5) People – impact on capacity and productivity or increased costs.

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

In addition to the base forecast, a sensitised forecast was produced that reflected a number of severe but plausible downsides. This downside included: 1) a severe reduction in sales to the housebuilding sector as well as lower investment property sales; 2) notwithstanding strong rent collection to date in line with previous quarters, a prudent material increase in bad debts across the portfolio over the majority of the going concern assessment period; 3) a material decline in the value of land and investment property values; and 4) a significant increase in interest rates, impacting the cost of the Group's RCF.

A scenario has also been run which demonstrates that very severe loss of revenue, valuation reductions and interest cost increases would be required to breach cash flow and banking covenants. A scenario with initial consideration of potential climate change impacts was also examined for the first time as part of the Group's increasing focus on climate-related risks and opportunities. Consideration has been given to the impact of the Russian invasion of Ukraine which, while not directly impacting the activities of the Group, has the potential to impact

1. Accounting policies continued

through changes in the wider macro-economic environment. Even in the downside scenarios, for the going concern period from the signing of these financial statements, the Group expects to continue to have sufficient cash reserves to continue to operate with headroom on lending facilities and associated covenants and has additional mitigation measures within management's control, for example reducing development and acquisition expenditure and reducing operating costs, that could be deployed to create further cash and covenant headroom.

Based on these considerations, together with available market information and the Directors' knowledge and experience of the Group's property portfolio and markets, the Directors considered it appropriate to adopt a going concern basis of accounting in the preparation of the Group's and Company'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 2021 and have not been applied in preparing these financial statements. None of these would have a significant effect on the financial statements of the Group.

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

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

Revenue recognition

Revenue comprises rental and other land-related income arising on investment properties, income from construction contracts, planning promotion agreements, promote fees and overages, the sale of coal fines and the sale of development properties.

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

Rental income

Under IFRS 16 'Leases', rental and other land related income is recognised on a straight-line basis over the term of the lease. Lease incentives, including rent-free periods and payments to tenants, are allocated to the consolidated income statement on a straight-line basis over the lease term as a deduction from rental and other land-related income.

Revenue from contracts with customers

Under IFRS 15 'Revenue from Contracts with Customers', revenue is measured based on the consideration specified in a contract with a customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

Income from construction contracts is recognised in line with the accounting policy for construction contracts. Revenue is recognised when the Group is acting as a principal under a contract with primary responsibility for the contract.

Revenue from planning promotion agreements, promote fees and overages is 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.

Notes to the financial statements

for the year ended 31 December 2021

1. Accounting policies continued

Construction contracts

Contracts for the construction of substantial assets are accounted for as construction contracts. Revenue on construction contracts is recognised over time, as the performance obligations are satisfied. Revenue is recognised over time if the Group's performance creates or enhances an asset that the customer controls as the asset is created. Otherwise, the revenue is recognised at a point in time. The revenue is reported in Other Property Activities within Note 3. Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion. The assessment of the stage of completion is dependent on the nature of the contracts but will generally be based on the estimated proportion of the total contract costs which have been incurred to date. If a contract is expected to be loss making, a provision is recognised when the contract is, or has become, onerous in accordance with IAS 37.

Interest income and expense

Interest income and expense are recognised within 'finance income' and 'finance costs' in the income statement using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability.

Inventories

Inventories comprise development properties, land held for development, options to purchase land, planning promotion agreements and coal fines that have been processed and are ready for sale.

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

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

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

Options to purchase land are agreements that the Group has entered into with landowners whereby the Group has the option to purchase their land within a limited timeframe. The landowners are not generally permitted to sell to any other party during this period, unless agreed by the Group. All costs, including the cost of entering into the option, are capitalised. At each reporting date, recoverability of the costs is considered by management and where required provisions are made such that the agreements are held at the lower of cost and net realisable value.

Planning promotion agreements are agreements that the Group has entered into with landowners whereby the Group acts as an agent in exchange for a fixed fee and/or a set percentage of the proceeds or profit of the eventual sale of the land that is the subject of the agreement. The Group promotes the land through the planning process at its own expense. If the land is sold, the Group receives a fee for its services.

The Group incurs various costs in promoting land held under promotion planning agreements, in some instances the agreements allow for the Group to be reimbursed certain expenditure following the conclusion of a successful sale. These costs are held in inventory at the lower of cost and net realisable value. 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.

1. Accounting policies continued

Investments in joint ventures

Joint ventures are those entities over whose activities the Group has joint control established by contractual agreement. Interests in joint ventures through which the Group carries on its business are classified as jointly controlled entities and accounted for using the equity method. This involves recording the investment initially at cost to the Group and then, in subsequent years, adjusting the carrying amount of the investment to reflect the Group's share of the joint venture's results less any impairment in carrying value and any other changes to the joint venture's net assets such as dividends.

Impairments in subsidiaries

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

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

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

Investment properties

Investment properties are those properties which are not occupied by the Group and which are held for long-term rental yields, capital appreciation or both. Investment properties also include property that is being developed or constructed for future use as investment property by the Group. Investment properties comprise freehold land and buildings and are measured at fair value. At the end of a financial year the fair values are determined by obtaining an independent valuation prepared in accordance with the current edition of the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors. External, independent valuation firms having appropriate, recognised professional qualifications and recent experience in the location and category of property being valued are used. A transfer to the fair value reserve is made for all fair value gains in the year from retained earnings. Where there have been previous fair value gains transferred to the fair value reserve and fair value losses have been incurred in the year then a transfer is made to retained earnings to offset as much of the fair value losses as possible.

Investment properties are re-categorised as development properties and moved to inventory once planning is secured and where development with a view to sale has commenced.

A transfer from the fair value reserve to retained earnings is made if any net realisable value provision is required on any development property where gains had previously been recorded as an investment property.

At each subsequent reporting date, investment properties are re-measured to their fair value. Movements in fair value are included in the income statement.

Where specific investment properties have been identified as being for sale within the next 12 months, a sale is considered highly probable and the property is immediately available for sale, their fair value is shown under assets 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.

Notes to the financial statements

for the year ended 31 December 2021

1. Accounting policies continued

Government grants

Government grants are recognised when there is reasonable assurance that the conditions associated with the grants have been complied with and the grants will be received. Grants related to the development of Investment Property and Development Property are deducted from the cost of the related asset. Grants for the reimbursement of operating expenditure are deducted from the related category of costs in the income statement. Once a government grant is recognised, any related deferred income is treated in accordance with IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance'.

Financial assets

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

Financial assets include cash received from the sale of certain development properties but held in separate bank accounts over which third party infrastructure loan providers have a charge.

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

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

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

Financial liabilities

Liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss or as other liabilities, as appropriate. A financial liability is de-recognised when the obligation under the liability is discharged, 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 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 2021 and 31 December 2020 all contributions have been paid to this scheme by the Company.

In the Company balance sheet, a net liability equal to the IAS 19 (revised) liability is recognised, and an equal amount within non-current assets, due to its ability to call upon an indemnity from Harworth Estates Mines Property Limited for this liability if required. Harworth Estates Mines Property Limited is a wholly owned subsidiary of the Group.

Share-based payments

Equity-settled share-based payments to employees of the Company and its subsidiary undertakings are measured at the fair value of the equity instruments at the date of grant and are expensed on a straight-line basis over the vesting period in the consolidated income statement. The fair value of the equity instruments is determined at the date of grant taking into account any market-based vesting conditions attached to the award. Non-market based vesting conditions are taken into account in estimating the number of awards likely to vest. The estimate of the number of awards likely to vest is reviewed regularly and the expense charge adjusted accordingly.

1. Accounting policies continued

Operating segments

Management has determined the operating segments based upon the operating reports reviewed by the Investment Committee that are used to assess both performance and strategic decisions. Management has identified that the Investment Committee is the Chief Operating Decision Maker in accordance with the requirements of IFRS 8 'Operating Segments'.

The Group is organised into two operating segments: Income Generation and Capital Growth. Group costs are not a reportable segment. However, information about them is considered by the Investment Committee in conjunction with the reportable segments.

The Income Generation segment focuses on generating rental returns from the investment portfolio (previously referred to as 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 over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, and liabilities and contingent liabilities, assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Costs related to acquisitions, other than those associated with the issue of debt or equity securities, are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated.

Share capital and reserves

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

Where shares are issued in direct consideration for acquiring shares in another company, and following which the Group holds at least 90% of the nominal share capital of that company, any premium on the shares issued as consideration is included in a merger reserve rather than share premium.

The merger reserve reflects the premium on the shares issued to the Pension Protection Fund as part of the consideration for the purchase of 75.1% of the issued share capital of Harworth Estates Property Group Limited in 2016.

The fair value reserve reflects the accumulation of fair value adjustments as detailed in the investment property and property, plant and equipment accounting policies.

Notes to the financial statements

for the year ended 31 December 2021

1. Accounting policies continued

Property, plant and equipment

Land and buildings relate to Group-occupied properties. These properties are stated at their fair value, based on market values, less any subsequent accumulated depreciation or accumulated impairment loss. Depreciation is provided where it is considered significant having regard to the estimated remaining useful lives and residual values of individual properties. Surpluses on revaluations are recorded in other comprehensive income and credited to the revaluation fair value reserve. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. Deficits on revaluations are charged against the fair value reserve to the extent that there are available surpluses relating to the same asset and are otherwise charged to profit or loss.

Office equipment is stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged on these assets so as to write off the cost or valuation of assets over their estimated useful lives of three to four years, using the straight-line method.

Derivatives and hedging

Derivative financial instruments such as interest rate swaps are entered into in order to manage interest rate risks. Such derivative instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedge item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedge risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

The effective portion of the gain or loss on the hedging instrument is recognised through other comprehensive income, while any ineffective portion is recognised immediately in profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale of the hedged item occurs.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

When a derivative is held as an economic hedge for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item. A derivative instrument that is a designated and effective hedging instrument is classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if: 1) a reliable allocation can be made; and 2) it is applied to all designated and effective hedging instruments.

Tax

Current tax

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

Deferred tax

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

- Deferred tax is not provided on the initial recognition of an asset or liability in a transaction that does not affect accounting profit or taxable profit and is not a business combination; and

1. Accounting policies continued

- 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.

In determining fair value measurement, the impact of potential climate-related matters, including legislation, which may affect the fair value measurement of investment property has been considered.

The values reported are based on significant assumptions and a change in fair values could have a material impact on the Group's results. This is due to the sensitivity of fair value to the assumptions made as regards to variances in development costs compared to management`s own estimates.

Investment properties are disclosed in note 14.

Estimation of valuation of development properties

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

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

Notes to the financial statements

for the year ended 31 December 2021

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.

Our key APMs

The key APMs that the Group focuses on are as follows:

- Total Return – The movement in EPRA NDV plus dividends per share paid in the year expressed as a percentage of opening EPRA NDV per share
- EPRA NDV per share – EPRA NDV divided by the number of shares in issue less shares held by the Employee Benefit Trust and Yorkshire Building Society to satisfy Long Term Incentive Plan and Share Incentive Plan awards
- Value gains – These are the realised profits from the sales of properties and unrealised profits from property value movements including joint ventures and the mark to market movement on development properties, assets held for sale and overages
- Net loan to portfolio value (Net LTV) – Group debt net of cash held expressed as a percentage of portfolio value

Profit excluding value gains (PEVG) has not been included as a key APM from 2021 as it forms part of the EPRA NDV per share and Total Return key APMs but is a non-material component of these measures. PEVG is defined as property net rental, royalty and fee income, net of running costs of the business (adjusted operating profit). It represents the underlying profitability of the business not reliant on property value gains or profits from the sales of properties.

2. Alternative Performance Measures ("APMs") continued

Set out below is a reconciliation of the APMs used in these results to the statutory measures.

1) Reconciliation to statutory measures

a. Revaluation gains	Note	**Year ended 31 December 2021 £'000**	Year ended 31 December 2020 £'000
Increase in fair value of investment properties	3	**83,961**	25,405
Increase/(decrease) in fair value of assets classified as held for sale	3	**1,078**	(295)
Share of profit of joint ventures	3	**9,225**	8,655
Net realisable value provision on development properties	3	**(1,574)**	(16,208)
Reversal of previous net realisable value provision on development properties	3	**4,393**	4,408
Amounts derived from statutory reporting		**97,083**	21,965
Unrealised gains/(losses) on development properties		**50,437**	(5,992)
Unrealised (losses)/gains on assets held for sale		**(15)**	191
Unrealised gains/(losses) on overages		**500**	(566)
Revaluation gains		**148,005**	15,598

b. Profit on sale			
Profit on sale of investment properties	3	**1,824**	5,030
Profit on sale of assets classified as held for sale	3	**5,625**	554
Profit on sale of development properties	3	**11,223**	2,999
Release of net realisable value provision on disposal of development properties	3	**2,367**	1,359
Profit on sales of overages	3	**–**	1,040
Amounts derived from statutory reporting		**21,039**	10,982
Unrealised gains on development properties released on sale in the year		**(7,833)**	(4,295)
Less previously unrealised gains on assets held for sale released on sale		**(760)**	–
Profit on sale		**12,446**	6,687

Notes to the financial statements

for the year ended 31 December 2021

2. Alternative Performance Measures ("APMs") continued

c. Value gains	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Revaluation gains		**148,005**	15,598
Profit on sale		**12,446**	6,687
Value gains		**160,451**	22,285

d. Profit excluding value gains (PEVG)	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Operating profit		**121,927**	27,765
Add pension charge		**58**	63
Less other gains	3	**(92,488)**	(31,734)
Less gross (profit)/loss from development properties	3	**(16,409)**	7,442
PEVG		**13,088**	3,536

e. Total property sales	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Revenue		**109,884**	70,001
Less revenue from other property activities	3	**(14,799)**	(2,676)
Less revenue from income generation activities	3	**(28,773)**	(20,396)
Add proceeds from sales of investment properties, assets held for sale and overages		**41,956**	28,858
Total property sales		**108,268**	75,787

f. Operating profit contributing to growth in EPRA NDV	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Operating profit		**121,927**	27,765
Share of profit of joint ventures	15	**9,225**	8,655
Unrealised gains/(losses) on development properties		**50,437**	(5,992)
Unrealised (losses)/gains on assets held for sale		**(15)**	191
Unrealised gains/(losses) on overages		**500**	(566)
Less previously unrealised gains on development properties released on sale		**(7,833)**	(4,295)
Less previously unrealised gains on assets held for sale released on sale		**(760)**	–
Operating profit contributing to growth in EPRA NDV		**173,481**	25,758

2. Alternative Performance Measures ("APMs") continued

g. Portfolio value	Note	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Land and buildings (included within Property, plant and equipment)		**635**	835
Investment properties	14	**478,355**	373,079
Investments in joint ventures	15	**36,131**	25,316
Assets classified as held for sale	18	**1,925**	7,594
Development properties (included within inventories)	16	**172,701**	177,712
Amounts derived from statutory reporting		**689,747**	584,536
Cumulative unrealised gains on development properties as at year end		**72,452**	29,848
Cumulative unrealised gains on assets held for sale as at year end		**–**	775
Cumulative unrealised gains on overages as at year end		**3,500**	3,000
Portfolio value		**765,699**	618,159

h. Net debt			
Gross borrowings	20	**(37,781)**	(83,882)
Cash		**12,037**	12,710
Net debt		**(25,744)**	(71,172)

i. Net loan to portfolio value %		
Net debt	**(25,744)**	(71,172)
Portfolio value	**765,699**	618,159
Net loan to portfolio value (%)	**3.4%**	11.5%

Notes to the financial statements

for the year ended 31 December 2021

2. Alternative Performance Measures ("APMs") continued

j. Net loan to core income generation portfolio value (%)		**As at 31 December 2021 £'000**	As at 31 December 2020 £'000
Net debt		**(25,744)**	(71,172)
Core income generation portfolio value (investment portfolio and natural resources)	14	**290,277**	248,004
Net loan to core income generation portfolio value (%)		**8.9%**	28.7%
k. Gross loan to portfolio value (%)			
Gross borrowings	20	**(37,781)**	(83,882)
Portfolio value		**765,699**	618,159
Gross loan to portfolio value (%)		**4.9%**	13.6%
l. Gross loan to core income generation portfolio value (%)			
Gross borrowings	20	**(37,781)**	(83,882)
Core income generation portfolio value (investment portfolio and natural resources)	14	**290,277**	248,004
Gross loan to core income generation portfolio value (%)		**13.0%**	33.8%
m. Number of shares used for per share calculations (number)			
Number of shares in issue at 31 December	26	**322,724,566**	322,530,807
Employee Benefit Trust and Yorkshire Building Society held shares (own shares) at 31 December	26	**(185,282)**	(120,487)
Number of shares used for per share calculations	26	**322,539,284**	322,410,320
n. Net Asset Value (NAV) per share			
NAV (£'000)		**577,984**	488,712
Number of shares used for per share calculations	26	**322,539,284**	322,410,320
NAV per share (p)		**179.2**	151.6

2. Alternative Performance Measures ("APMs") continued

2) Reconciliation to EPRA measures

a. EPRA NDV	Note	**As at 31 December 2021 £'000**	As at 31 December 2020 £'000
Net assets		**577,984**	488,712
Cumulative unrealised gains on development properties		**72,452**	29,848
Cumulative unrealised gains on assets held for sale		**–**	775
Cumulative unrealised gains on overages		**3,500**	3,000
Notional deferred tax on unrealised gains		**(16,483)**	(6,388)
EPRA NDV		**637,453**	515,947
b. EPRA NDV per share (p)			
EPRA NDV £'000		**637,453**	515,947
Number of shares used at 31 December for per share calculations	26	**322,539,284**	322,410,320
EPRA NDV per share (p)		**197.6**	160.0
c. EPRA NDV growth and total return			
Opening EPRA NDV/share (p)		**160.0**	155.6
Closing EPRA NDV/share (p)		**197.6**	160.0
Movement in the year (p)		**37.6**	4.4
EPRA NDV growth		**23.5%**	2.8%
Dividends paid per share (p)		**1.8**	0.3
Total return per share (p)		**39.4**	4.7
Total return as a percentage of opening EPRA NDV		**24.6%**	3.0%
d. Net loan to EPRA NDV			
Net debt		**(25,744)**	(71,172)
EPRA NDV		**637,453**	515,947
Net loan to EPRA NDV		**4.0%**	13.8%

Notes to the financial statements

for the year ended 31 December 2021

3. Segmental Information

Segmental Income Statement

31 December 2021

	Capital Growth				
	Sale of Development properties £'000	**Other Property Activities £'000**	**Income Generation £'000**	**Central overheads £'000**	**Total £'000**
Revenue	**66,312**	**14,799**	**28,773**	**–**	**109,884**
Cost of sales	(49,903)	(3,169)	(8,113)	–	(61,185)
Gross profit [1]	**16,409**	**11,630**	**20,660**	**–**	**48,699**
Administrative expenses	–	(3,365)	(2,130)	(13,707)	(19,202)
Other gains [2]	–	57,483	35,005	–	92,488
Other operating expense	–	–	–	(58)	(58)
Operating profit/(loss)	**16,409**	**65,748**	**53,535**	**(13,765)**	**121,927**
Finance costs	–	–	–	(4,100)	(4,100)
Finance income	–	172	–	10	182
Share of profit of joint ventures	–	4,524	4,701	–	9,225
Profit/(loss) before tax	**16,409**	**70,444**	**58,236**	**(17,855)**	**127,234**

(1) Gross profit					
Gross profit is analysed as follows:					
Gross profit excluding sales of development properties	–	11,630	20,660	–	32,290
Gross profit on sale of development properties	11,223	–	–	–	11,223
Net realisable value provision on development properties	(1,574)	–	–	–	(1,574)
Reversal of previous net realisable value provision on development properties	4,393	–	–	–	4,393
Release of net realisable value provision on disposal of development properties	2,367	–	–	–	2,367
	16,409	**11,630**	**20,660**	**–**	**48,699**
(2) Other Gains					
Other gains are analysed as follows:					
Increase in fair value of investment properties	–	55,220	28,741	–	83,961
Increase in the fair value of assets held for sale	–	364	714	–	1,078
Profit/(loss) on sale of investment properties	–	1,871	(47)	–	1,824
Profit on sale of assets held for sale	–	28	5,597	–	5,625
	–	**57,483**	**35,005**	**–**	**92,488**

3. Segmental Information continued

Segmental Balance Sheet

31 December 2021

	Capital Growth £'000	Income Generation £'000	Central overheads £'000	Total £'000
Non-current assets				
Property, plant and equipment	–	–	681	681
Right of use assets	–	–	94	94
Trade and other receivables	4,285	1,084	–	5,369
Investment properties	182,666	295,689	–	478,355
Investments in joint ventures	18,929	17,202	–	36,131
	205,880	**313,975**	**775**	**520,630**
Current assets				
Inventories	177,720	102	–	177,822
Trade and other receivables	35,737	13,665	353	49,755
Assets held for sale	1,925	–	–	1,925
Cash	–	–	12,037	12,037
	215,382	**13,767**	**12,390**	**241,539**
Total assets	**421,262**	**327,742**	**13,165**	**762,169**

Financial liabilities and derivative financial instruments are not allocated to the reporting segments as they are managed and measured at a Group level.

Notes to the financial statements

for the year ended 31 December 2021

3. Segmental Information continued

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**
Finance costs	–	–	–	(3,473)	(3,473)
Finance income	–	367	1	9	377
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 held for sale	–	–	(295)	–	(295)
Profit/(loss) on sale of investment properties	–	5,099	(69)	–	5,030
Profit on sale of assets held for sale	–	72	482	–	554
Profit on sale of overages	–	968	72	–	1,040
	–	**12,598**	**19,136**	**–**	**31,734**

3. Segmental Information continued

Segmental Balance Sheet

31 December 2020

	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 held for sale	1,384	6,210	–	7,594
Cash	–	–	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 at a Group level.

4. Operating profit

	Note	**Year ended 31 December 2021 £'000**	Year ended 31 December 2020 £'000
Operating profit before tax is stated after charging/(crediting):			
Net movement in realisable value provision on development properties	16	**(5,186)**	10,441
Staff costs	5	**11,626**	8,265
Depreciation of property, plant and equipment and right of use assets	12, 13	**234**	285

Notes to the financial statements

for the year ended 31 December 2021

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 2021 Number	Year ended 31 December 2020 Number	**Year ended 31 December 2021 Number**	Year ended 31 December 2020 Number
Management and administration	**85**	75	**3**	3

Remuneration details of these persons were as follows:

	Group		Company	
	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000	**Year ended 31 December 2021 £'000**	Year ended 31 December 2020 £'000
Wages and salaries	**9,741**	6,419	**2,357**	1,200
Share-based payment expense	**546**	633	**116**	109
Social security costs	**800**	702	**95**	135
Other pension costs	**539**	511	**41**	84
	11,626	8,265	**2,609**	1,528

Key management remuneration relates to the members of the Investment Committee:

	Group	
	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Short-term employee benefits	**4,278**	2,749
Post-employment benefits	**153**	166
Share-based payments	**463**	247
	4,894	3,162

Detailed information relating to Directors' remuneration is disclosed in the Directors' remuneration report on pages 120 to 149 and forms part of these financial statements.

6. Finance costs and finance income

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Total finance income	**182**	377
Finance costs		
– Bank interest	**(2,795)**	(2,654)
– Amortisation of RCF up-front fees and other fees	**(1,107)**	(622)
– Other interest	**(198)**	(197)
Total finance costs	**(4,100)**	(3,473)
Net finance costs	**(3,918)**	(3,096)

During the year no interest has been capitalised in investment or development properties (2020: £nil).

7. Auditors' remuneration

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Fees payable to the Company's auditors and its associates for the audit of the Company and the consolidated financial statements	**315**	334
Fees payable to the Company's auditors and its associates for other services:		
– The audit of the Company's subsidiaries pursuant to legislation	**30**	100
	345	434

8. Tax

Analysis of tax (charge)/credit in the year	**Year ended 31 December 2021 £'000**	Year ended 31 December 2020 £'000
Current tax		
Current year	**(6,747)**	(449)
Adjustment in respect of prior periods	**372**	838
Total current tax (charge)/credit	**(6,375)**	389
Deferred tax		
Current year	**(15,974)**	(7,139)
Adjustment in respect of prior periods	**(162)**	136
Difference between current tax rate and rate of deferred tax	**(10,733)**	(914)
Total deferred tax charge	**(26,869)**	(7,917)
Tax charge	**(33,244)**	(7,528)
Other comprehensive income items		
Deferred tax - current year	**(137)**	115
Total	**(137)**	115

Notes to the financial statements

for the year ended 31 December 2021

8. Tax continued

The tax charge for the year is higher (2020: higher) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Profit before tax	**127,234**	33,324
Profit before tax multiplied by rate of corporation tax in the UK of 19% (2020: 19%)	**(24,174)**	(6,332)
Effects of:		
Adjustments in respect of prior periods - deferred taxation	**(162)**	136
Adjustments in respect of prior periods - current taxation	**372**	838
Expenses not deducted for tax purposes	**(291)**	(109)
Revaluation gains/(losses)	**68**	(2,848)
Share of profit of joint ventures	**1,753**	1,644
Difference between current tax rate and rate of deferred tax	**(10,733)**	(914)
Share options	**(77)**	57
Total tax charge	**(33,244)**	(7,528)

The difference between current tax rate and rate of deferred tax of £10.7m (2020: £0.9m) relates to the increase in deferred tax as a result of new corporation tax rates being substantively enacted. The 2021 reconciling item of £10.7m is reflective of the enacted rate change from 19% to 25% whilst the 2020 reconciling item of £0.9m is reflective of the enacted rate change from 17% to 19%.

At 31 December 2021, the Group had a current tax liability of £2.9m (2020: £0.2m)

Deferred tax

The following is the analysis of deferred tax liabilities presented in the consolidated balance sheet:

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Deferred tax liabilities	**(46,988)**	(23,159)
Deferred tax assets	**4,341**	7,392
	(42,647)	(15,767)

The movements on the deferred tax account were as follows:

	Investment Properties £'000	Tax Losses £'000	Other Temporary Differences £'000	**Total £'000**
At 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 and 1 January 2021	(23,159)	5,774	1,618	**(15,767)**
Recognised in the consolidated income statement	(23,829)	(3,216)	176	**(26,869)**
Recognised in the consolidated statement of comprehensive income	–	–	(137)	**(137)**
Recognised in the consolidated statement of equity	–	–	126	**126**
At 31 December 2021	(46,988)	2,558	1,783	**(42,647)**

8. Tax continued

There is deferred tax on UK corporation tax losses carried forward of £2.6m (2020: £5.8m); this balance may be carried forward indefinitely as there is no time limit in respect of using these deferred tax assets.

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

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

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 £5.3m at 31 December 2021 have not been recognised owing to the uncertainty as to their recoverability.

Deferred tax assets of £5.6m were not recognised at 31 December 2020.

The Company has recognised a deferred tax asset on its Balance Sheet in 2021 of £0.2m (2020: £2.1m).

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 £8.4m (2020: £2.9m) and the total comprehensive expense for the financial year was £8.2m (2020: £3.2m). The distributable reserves of the Company are £111.1m (2020: £124.8m).

10. Dividends

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Interim dividend of 0.367p per share for the six months ended 30 June 2021	**1,184**	–
Full year dividend of 1.466p per share for the year ended 31 December 2020	**4,729**	–
Interim dividend of 0.334p per share for the six months ended 30 June 2020	**–**	1,077
	5,913	1,077

In addition to the interim dividend of 0.367p, the Board has determined that it is appropriate for a final dividend of 0.845p (2020: 1.466p) to be paid per share, bringing the total dividend for the year to 1.212p (2020: 1.800p). The 2020 final dividend was increased to reflect the cancelled final 2019 dividend, excluding which the 2020 dividends totalled 1.102p per share. Given this, the recommended 2021 final dividend and 2021 total dividend represent a 10% increase in line with our dividend policy. There is no change to the current dividend policy to continue to grow dividends by 10% each year.

Notes to the financial statements

for the year ended 31 December 2021

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 2021 £'000	Year ended 31 December 2020 £'000
Profit from continuing operations attributable to owners of the parent (£'000)	**93,990**	25,796
Weighted average number of shares used for basic earnings per share calculation	**322,493,443**	322,104,415
Basic earnings per share (pence)	**29.1**	8.0
Weighted average number of shares used for diluted earnings per share calculation	**325,059,137**	323,840,504
Diluted earnings per share (pence)	**28.9**	8.0

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 and own shares.

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 and 1 January 2021	835	493	1,328
Additions	–	32	32
Decrease in fair value	(200)	–	(200)
As at 31 December 2021	**635**	**525**	**1,160**
Depreciation			
As at 1 January 2020	–	(115)	(115)
Depreciation charge	–	(206)	(206)
As at 31 December 2020 and 1 January 2021	–	(321)	(321)
Depreciation charge	–	(158)	(158)
As at 31 December 2021	**–**	**(479)**	**(479)**
Net book value			
Net book value at 31 December 2021	**635**	**46**	**681**
Net book value at 31 December 2020	835	172	1,007

At 31 December 2021, the Group had not entered into any contractual commitments for the acquisitions of property, plant and equipment (2020: £nil).

13. Right of use assets

Group **Right of use assets**	**As at 31 December 2021 £'000**	As at 31 December 2020 £'000
Buildings	**74**	117
Vehicles	**20**	53
	94	170
Lease liabilities		
Current	**42**	77
Non-current	**52**	102
	94	179

Additions to right of use assets during 2021 were £nil (2020: £0.1m).

Group **Depreciation charge of right of use assets**	**Year ended 31 December 2021 £'000**	Year ended 31 December 2020 £'000
Buildings	**44**	44
Vehicles	**32**	35
	76	79

The total cash outflow for leases in 2021 was £0.1m (2020: £0.1m).

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 payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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14. Investment properties

Investment properties at 31 December 2021 and 31 December 2020 have been measured at fair value. The Group holds five categories of investment property, being Agricultural Land, Natural Resources, the Investment Portfolio (previously called 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**	**Investment Portfolio £'000**	**Major Developments £'000**	**Strategic Land £'000**	**Total £'000**
At 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	–
Transfers from development properties	–	–	1,025	2,824	–	3,849
Net transfer to assets 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**
Direct acquisitions	–	–	13,502	–	14,274	27,776
Subsequent expenditure	12	239	1,988	8,956	6,877	18,072
Disposals	–	–	(2,497)	(11,207)	(986)	(14,690)
(Decrease)/increase in fair value	(151)	(1,912)	30,804	21,609	33,611	83,961
Transfers between divisions	115	–	6,101	(6,626)	410	–
Net transfers from development properties	–	–	–	5,711	(5,000)	711
Net transfer to assets held for sale	(699)	(874)	(5,078)	(509)	(3,394)	(10,554)
At 31 December 2021	**5,412**	**30,551**	**259,726**	**45,483**	**137,183**	**478,355**

Included within investment properties (agricultural land) is a provision of £0.3m (2020: £1.0m) relating to the restoration liability on sites formerly rented to mining tenants. This provision is treated as a reduction of the individual property valuations.

During the year, £5.7m (2020: £3.8m) of development property was re-categorised as investment property to reflect a change in use. During the year, £5.0m of investment property was re-categorised to development properties (2020: £nil). Properties that have obtained planning permission and where development with a view to sale has commenced are 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 2021 £'000	As at 31 December 2020 £'000
Market value as estimated by the external valuer	**486,433**	380,659
Capital incentives and rent free periods included within prepayments and accrued income	**(4,820)**	(3,420)
Contingent interest in adjoining land included within external valuations	**(2,687)**	(2,407)
Other adjustments	**(571)**	(1,753)
Fair value for financial reporting purposes	**478,355**	373,079

14. Investment properties continued

Valuation Process

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

At each financial year end, management:

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

The different valuation levels are defined as:

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

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

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

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

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the date of the event or change in circumstance that caused the transfer. There were no transfers between hierarchy levels in the year ended 31 December 2021 (2020: 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 discounted cash flows for the operating life of the asset with regard to the residual land value.

Investment portfolio

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. Subject to market backdrop, properties that are newly built by Harworth typically have lower yields. As assets are enhanced and improved, these would also be expected to be valued at lower yields.

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14. Investment properties continued

ERV and reversionary rental yields are considered to be significant unobservable inputs. Details of the aggregate ERV and weighted average reversionary rental yields used for the Investment Portfolio properties are provided in the following table:

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Market value	**264,547**	218,327
Aggregate ERV	**16,794**	14,832
Equivalent rental yield %	**6.8**	7.1

All other factors being equal, a higher equivalent yield would lead to a decrease in the valuation of an asset and an increase in the current or estimated future rental stream, or market demand for the asset, would have the effect of increasing the capital value, and vice versa. However, there are inter-relationships between the significant unobservable inputs which are partially determined by market conditions, which would impact on these changes.

The table below sets out a sensitivity analysis for the key sources of estimation uncertainty with the resulting increase/(decrease) in the fair value of Investment Portfolio assets at 31 December 2021:

	2021		2020	
	Increase in Sensitivity Value £'000	**Decrease in Sensitivity Value £'000**	Increase in Sensitivity Value £'000	Decrease in Sensitivity Value £'000
Change in net income by 5%	**13,260**	**(13,260)**	10,742	(10,742)
Change in portfolio net initial yield by 50 basis points	**(23,206)**	**25,880**	(16,831)	18,726

The property rental income earned by the Group from its occupied investment property, all of which is leased out under operating leases amounted to £19.5m (2020: £14.8m). Direct operating expenses arising on investment property generating rental income in the year amounted to £6.6m (2020: £3.5m).

The bank and other loans are secured by way of fixed equitable charges over investment and development properties.

Major developments

Major development sites are generally valued using residual development appraisals, a form of discounted cash flow which estimates the current site value from future cash flows measured by current land and/or completed built development values, observable or estimated development costs, and observable or estimated development returns.

Where possible development sites are valued by direct comparison to observable market evidence with appropriate adjustment for the quality and location of the property asset, although this is generally only a reliable method of measurement for smaller development sites.

The discounted cash flows utilise gross development value, which takes account of the future expectations of sales over time, less costs, as at today's value, to complete remediation and provide the necessary site infrastructure to bring the site forward. Sales prices, build costs and profit margins are considered to be significant unobservable inputs for sites valued using residual development appraisals and details of these are provided below:

	As at 31 December 2021				As at 31 December 2020			
	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	**44,590**	**£122-£127**	**£58-£72**	**15%**	27,500	£93–£122	£46–£58	15%–17.5%

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.

14. Investment properties continued

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 2021:

	2021		2020	
	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%	**5,967**	**(5,967)**	6,100	(5,935)
Change in build cost of 5%	**(4,550)**	**4,611**	(3,910)	4,070

Strategic land

Strategic land is valued on the basis of discounted cash flows, with future cash flows measured by current land values adjusted to reflect the quality of the development opportunity, the potential development costs estimated by reference to observable development costs on comparable sites, and the likelihood of securing planning consent. Valuations are then benchmarked against observable land values reflecting the current existing use of the land, which is generally agricultural and, where available, observable strategic land values. The land value per acre is considered to be a significant unobservable input and details of the ranges used are provided below:

	As at 31 December 2021			As at 31 December 2020		
	Agricultural Land £'000	**Natural Resources £'000**	**Strategic Land £'000**	Agricultural Land £'000	Natural Resources £'000	Strategic Land £'000
Market value	**5,560**	**31,705**	**140,031**	7,088	34,258	93,436
Weighted Average Land value per acre	**3**	**20**	**81**	2	18	56

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 2021:

	2021		2020	
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	**278**	**(278)**	354	(354)
Natural Resources	**1,585**	**(1,585)**	1,713	(1,713)
Strategic Land	**7,002**	**(7,002)**	4,639	(4,639)

15. Investments

Investment in subsidiaries (Company balance sheet)

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Cost and net book amount:		
At 1 January	**208,974**	208,473
Grant of equity instruments to employees of subsidiaries	**326**	501
At 31 December	**209,300**	208,974

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.

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15. Investments continued

The Company holds investments in the following subsidiaries as at 31 December 2021:

Company name	Activity	Description of shares held	Proportion of nominal value of issued share capital held by the Company %	Held directly or indirectly by the Company
Harworth Estates Property Group Limited	Trading	Ordinary	100	Direct
Cadley Park Management Company Limited	Trading	Ordinary	100	Indirect
Cutacre Country Park Management Company Limited	Trading	Ordinary	100	Indirect
EOS Inc Limited	Trading	Ordinary	100	Indirect
Harworth Estates (Agricultural Land) Limited	Trading	Ordinary	100	Indirect
Harworth Estates (Waverley Prince) Limited	Trading	Ordinary	100	Indirect
Harworth Estates Curtilage Limited	Trading	Ordinary	100	Indirect
Harworth Estates Investments Limited	Trading	Ordinary	100	Indirect
Harworth Estates Limited	Trading	Ordinary	100	Indirect
Harworth Estates Mines Property Limited	Trading	Ordinary	100	Indirect
Harworth Estates Overage Limited	Trading	Ordinary	100	Indirect
Harworth Estates Warwickshire Limited	Trading	Ordinary	100	Indirect
Harworth Surface Water Management (North West) Limited	Trading	Ordinary	100	Indirect
Harworth TRR Limited	Trading	Ordinary	100	Indirect
Logistics North MC Limited	Trading	Ordinary	10.86	Indirect
Thoresby Vale Management Company Limited	Trading	Ordinary	100	Indirect
Flass Lane Management Company Limited	Trading	Limited by guarantee	100	Indirect
Mapplewell Management Company Limited	Trading	Limited by guarantee	100	Indirect
POW Management Company Limited	Trading	Limited by guarantee	100	Indirect
Riverdale Park Management Company Limited	Trading	Limited by guarantee	100	Indirect
Rossington Community Management Company Limited	Trading	Limited by guarantee	100	Indirect
Simpson Park Management Company Limited	Trading	Limited by guarantee	100	Indirect
South East Coalville Management Company Limited	Trading	Limited by guarantee	100	Indirect
Waverley Community Management Company Limited	Trading	Limited by guarantee	100	Indirect
Ansty Development Vehicle LLP	Trading	Partnership	100	Indirect
Harworth PV Limited	Non–trading	Ordinary	100	Indirect
Harworth Regeneration Limited	Non–trading	Ordinary	100	Indirect
Harworth Services Limited	Non–trading	Ordinary	100	Indirect
Harworth Estates No 2 Limited	Dormant	Ordinary	100	Indirect
Konect Management Company Limited	Dormant	Ordinary	7.14	Indirect
Moss Nook (St Helens) Management Company Limited	Dormant	Limited by guarantee	100	Indirect
Coalfield Estates Limited	Liquidation	Ordinary	100	Direct
Harworth Estates Group Limited	Liquidation	Ordinary	100	Indirect
Harworth No.3 Limited	Liquidation	Ordinary	100	Indirect
Waverley Square Limited	Liquidation	Ordinary	100	Indirect
Harworth Guarantee Co. Limited	Liquidation	Limited by guarantee	100	Direct

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

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.

Harworth PV Limited was incorporated during the year, on 21 July 2021.

Moss Nook (St Helens) Management Company Limited was incorporated during the year, on 1 December 2021.

Harworth Trustees Limited and Harworth Secretariat Services Limited were dissolved post year end, on 11 January 2022.

The following entities are in the process of liquidation, to complete within 12 months of the year end:

Coalfield Estates Limited
Harworth Guarantee Co. Limited
Harworth Estates Group Limited
Harworth No.3 Limited
Waverley Square Limited

Investment in joint ventures

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
At 1 January	**25,316**	33,072
Investment in joint ventures	**1,624**	289
Distributions from joint ventures	**(34)**	(8,930)
De-recognition on acquisition	**–**	(7,770)
Share of profits of joint ventures	**9,853**	8,655
Impairment	**(628)**	–
At 31 December	**36,131**	25,316

The Group holds investments in the following joint ventures as at 31 December 2021:

Company name	**Activity**	**Description of shares held**	**Proportion of nominal value of issued share capital held by the Company %**
Multiply Logistics North Holdings Limited	Trading	Ordinary	20
Multiply Logistics North LP	Trading	Partnership	20
The Aire Valley Land LLP	Trading	Partnership	50
Crimea Land Mansfield LLP	Trading	Partnership	50
Northern Gateway Development Vehicle LLP	Trading	Partnership	50

All of the above companies are incorporated in England and Wales and have a registered address of Advantage House, Poplar Way, Rotherham, South Yorkshire, S60 5TR. Multiply Logistics North Holdings Limited and Multiply Logistics North LP are joint ventures as a consequence of equal voting rights.

Gateway 45 No.1 Limited was dissolved during the year, on 12 January 2021.

Bates Regeneration Limited was dissolved during the year, on 12 October 2021.

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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 2021 £'000	As at 31 December 2020 £'000	**As at 31 December 2021 £'000**	As at 31 December 2020 £'000
Investment property	**17,500**	13,000	**16,791**	11,662
Current assets	**124**	272	**720**	270
Total assets	**17,624**	13,272	**17,511**	11,932
Current liabilities	**(82)**	(273)	**(309)**	(50)
Net investment	**17,542**	12,999	**17,202**	11,882

	The Aire Valley Land LLP		Multiply Logistics North LP	
	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000	**Year ended 31 December 2021 £'000**	Year ended 31 December 2020 £'000
Revenue	**–**	225	**481**	407
Cost of sales	**(29)**	(40)	**(34)**	(89)
Gross (loss)/profit	**(29)**	185	**447**	318
Administrative expenses	**(16)**	(5)	**(152)**	(33)
Other gains	**4,592**	1,601	**5,031**	417
Finance costs	**(1)**	–	**–**	–
Share of profits	**4,546**	1,781	**5,326**	702

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 2021 £'000	As at 31 December 2020 £'000
Investment property	**375**	376
Current assets	**1,071**	64
Total assets	**1,446**	440
Current liabilities	**(59)**	(5)
Net investment	**1,387**	435
Share of losses	**(19)**	(173)

The risks associated with these investments are as follows:

- Decline in the availability, and/or an increase in the cost, of credit for residential and commercial buyers; and
- Decline in market conditions and values.

16. Inventories

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Development properties	**172,701**	177,712
Planning promotion agreements	**3,865**	2,961
Option agreements	**1,154**	1,344
Finished goods	**102**	649
Total inventories	**177,822**	182,666

The total cost of inventory recognised as an expense within cost of sales in the year is £50.3m (2020: £54.7m) and comprises: £54.9m (2020: £43.9m) relating to the sale of development properties; a credit of £5.2m (2020: £10.5m charge) in relation to the net realisable value provision against development properties; a charge of £0.1m (2020: £0.3m) in relation to planning promotion agreements; and a charge of £0.5m (2020: £0.0m) relating to finished goods stocks. Finished goods are stated after a provision of £0.5m (2020: £0.2m).

The movement in development properties is as follows:

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
At 1 January	**177,712**	202,092
Acquisitions	**40**	–
Subsequent expenditure	**29,482**	27,860
Disposals	**(39,008)**	(37,950)
Net realisable value provision release/(charge)	**5,186**	(10,441)
Net transfer to investment properties	**(711)**	(3,849)
At 31 December	**172,701**	177,712

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

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
At 1 January	**17,340**	6,899
Charge for the year	**1,574**	16,208
Released on disposals	**(2,367)**	(1,359)
Reversal of previous net realisable value provision	**(4,393)**	(4,408)
At 31 December	**12,154**	17,340

The reversal of previous net realisable value provision occurs where development properties have an increase in net realisable value which offsets a previous net realisable value charge.

The bank and other loans are secured by fixed equitable charges over development and investment properties.

Notes to the financial statements

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17. Trade and other receivables

	Group		Company	
Current	**As at 31 December 2021 £'000**	As at 31 December 2020 £'000	**As at 31 December 2021 £'000**	As at 31 December 2020 £'000
Trade receivables	**24,078**	35,742	**–**	–
Less: provision for impairment of trade receivables	**(27)**	(308)	**–**	–
Net trade receivables	**24,051**	35,434	**–**	–
Other receivables	**23,672**	18,785	**9**	59
Prepayments	**1,012**	957	**7**	46
Accrued Income	**1,020**	1,265	**–**	–
Amounts owed by subsidiary undertakings (note 30)	**–**	–	**27,735**	29,390
	49,755	56,441	**27,751**	29,495
Non-current				
Trade receivables	**4,285**	–	**–**	–
Other receivables	**1,084**	–	**–**	–
	5,369	–	**–**	–

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 is £22.9m (2020: £33.4m) of deferred consideration on the sale of investment and development property.

The non-current trade receivable of £4.3m (2020: £nil) relates to deferred consideration on the sale of development properties due in more than one year.

Included within other receivables are £0.0m (2020: £3.5m) of cash held in accounts over which third party infrastructure loan providers have a charge and £2.5m (2020: £nil) of restricted cash as part of an agreement with a third party.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables as disclosed in Note 23. The Group and Company do not hold any collateral as security.

The amounts owed to the Company by subsidiary undertakings are repayable on demand. Interest is payable at SONIA + 2% (2020: LIBOR +2%).

Group

Movements on provisions for impairment of trade receivables are as follows:

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
At the beginning of the year	**(308)**	(109)
Released/(provided) for in the year	**281**	(199)
At the end of the year	**(27)**	(308)

17. Trade and other receivables continued

Trade receivables can be analysed as follows:

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Amounts receivable not past due	**21,914**	33,666
Amounts receivable past due but not impaired	**2,137**	1,768
Amounts receivable impaired (gross)	**27**	308
Less impairment	**(27)**	(308)
	24,051	35,434

Ageing of past due but not impaired trade receivables

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
31 – 60 days	**–**	1,389
61 – 90 days	**2,054**	7
91 – 120 days	**83**	372
	2,137	1,768

Ageing of impaired trade receivables:

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
91 – 120 days	**16**	308
120+ Days	**11**	–
	27	308

18. Assets Held For Sale

Assets classified as held for sale relate to investment properties identified as being for sale within 12 months, where a sale is considered highly probable and the property is immediately available for sale.

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
At 1 January	**7,594**	11,252
Net transfer from investment properties	**10,554**	10,071
Subsequent expenditure	**1**	24
Increase/(decrease) in fair value	**1,078**	(295)
Disposals	**(17,302)**	(13,458)
At 31 December	**1,925**	7,594

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19. Cash

	Group		Company	
	As at 31 December 2021 £'000	As at 31 December 2020 £'000	**As at 31 December 2021 £'000**	As at 31 December 2020 £'000
Cash	**12,037**	12,710	**2,909**	1,652

20. Borrowings

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Non-current:		
Secured – bank loans	**(33,318)**	(79,740)
Secured – infrastructure loans and direct development loans	**(4,463)**	(4,142)
	(37,781)	(83,882)
Total borrowings	**(37,781)**	(83,882)

Loans are stated after deduction of unamortised borrowing costs of £1.2m (2020: £0.4m).

		As at 31 December 2021 £'000	As at 31 December 2020 £'000
Infrastructure loans			
Homes and Communities Agency	Simpson Park	**–**	(4,142)
Merseyside Pension Fund	Bardon Hill	**(1,572)**	–
North West Evergreen Limited Partnership	Plot H Logistics North, Bolton	**(2,891)**	–
Total infrastructure loans		**(4,463)**	(4,142)
Bank loan		**(33,318)**	(79,740)
Total borrowings		**(37,781)**	(83,882)

The bank borrowings are part of a £150.0m (2020: £130.0m) Revolving Credit Facility ('RCF') provided by NatWest and Santander in place at 31 December 2021. The term of the facility was extended for two years on 13 February 2018 and was repayable on 13 February 2023 (five-year term) on a non-amortising basis and subject to financial and other covenants. In November 2021 NatWest and Santander agreed to increase the RCF by £20.0m to £150.0m and extend the repayment date to February 2024. Following the year end, a new RCF has been put in place with NatWest, Santander and HSBC. The new RCF has a limit of £200.0m with an uncommitted accordion facility of £40.0m and is repayable in 2027. The bank borrowings are secured by fixed equitable charges over investment properties. The facility is non-amortising and subject to financial and other covenants.

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 repaid on agreed dates or when disposals are made from the sites.

21. Trade and other payables

Current liabilities

	Group		Company	
	As at 31 December 2021 £'000	As at 31 December 2020 £'000	**As at 31 December 2021 £'000**	As at 31 December 2020 £'000
Trade payables	**2,104**	1,658	**54**	22
Amounts owed to subsidiary undertakings	**–**	–	**24,205**	13,926
Taxation and social security	**14,394**	4,968	**190**	78
Other creditors	**4,102**	9,528	**26**	16
Accruals	**63,166**	43,308	**1,812**	758
Deferred income	**10,550**	7,024	**–**	–
	94,316	66,486	**26,287**	14,800

The amounts owed by the Company to subsidiary undertakings are repayable on demand. Interest is payable at SONIA + 2% (2020: LIBOR + 2%).

	Group		Company	
	As at 31 December 2021 £'000	As at 31 December 2020 £'000	**As at 31 December 2021 £'000**	As at 31 December 2020 £'000
Amounts in accruals and deferred income relating to parcels of land that have been sold but where infrastructure costs are yet to be incurred	**48,781**	33,361	**–**	–

Non-current liabilities

	Group		Company	
	As at 31 December 2021 £'000	As at 31 December 2020 £'000	**As at 31 December 2021 £'000**	As at 31 December 2020 £'000
Other creditors	**4,540**	720	**–**	–
Deferred income	**1,146**	1,234	**–**	–
	5,686	1,954	**–**	–

22. 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 2.35% margin under the RCF. The all-in cost changed to 1.184% from 31 December 2021 as part of the transition from LIBOR to SONIA. The interest rate swap is hedge accounted with any unrealised movements going through reserves.

The fair value of the interest rate swap at 31 December 2021 was a liability of £0.2m (2020: £0.8m).

During the year the following gain/(loss) was recognised in the other comprehensive income statement in relation to the interest rate swap:

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Gain/(loss) on interest rate swap - cash flow hedge	**670**	(267)

The Group's principal financial instruments include trade and other receivables, cash, interest bearing borrowings and trade and other payables.

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22. Financial instruments and derivatives continued

Other financial assets and liabilities

	As at 31 December 2021		As at 31 December 2020	
Group	**Book value £'000**	**Fair value £'000**	Book value £'000	Fair value £'000
Financial assets held at amortised cost				
Cash	**12,037**	**12,037**	12,710	12,710
Trade and other receivables	**53,092**	**53,092**	54,219	54,219
Financial liabilities held at amortised cost				
Bank and other borrowings	**37,781**	**37,781**	83,882	83,882
Trade and other payables	**85,608**	**85,608**	63,472	63,472

	As at 31 December 2021		As at 31 December 2020	
Company	**Book value £'000**	**Fair value £'000**	Book value £'000	Fair value £'000
Financial assets held at amortised cost				
Cash	**2,909**	**2,909**	1,652	1,652
Trade and other receivables	**27,744**	**27,744**	29,392	29,392
Financial liabilities held at amortised cost				
Trade and other payables	**26,097**	**26,097**	14,722	14,722

In accordance with IFRS 9, the Group classifies the assets and liabilities in the analysis above as 'loans and receivables' and 'other financial liabilities', respectively.

The fair value of bank and other borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are within Level 2 of the fair value hierarchy.

23. Financial risk management

The Group's overall risk management programme focuses on credit and liquidity risks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out centrally under policies approved by the Board of Directors. The Board discusses and agrees courses of action to cover material risk management areas, including credit risk and investment of excess liquidity.

Credit risk

The Group is subject to credit risk arising from outstanding receivables and committed cash and cash equivalents and deposits with banks and financial institutions. The Group's policy is to manage credit exposure to trading counterparties by trading within defined limits.

The Group is exposed to counterparty credit risk on cash and cash equivalent balances. The Group and Company hold all of their cash deposits with their principal bankers.

Interest rate risk

The Group's interest rate risk arises from external borrowings, the details of which are set out in Note 22.

The Group also has two (2020: one) infrastructure loans with an all-in funding rate of between 3.0% and 5.9% (2020: 4.0%).

Liquidity risk

The Group is subject to the risk that it will not have sufficient liquid resources to fund its ongoing business. The Group manages its liquidity requirements with the use of operating cash flows, cash balances and drawdowns under its RCF.

The Group had net debt at 31 December 2021 of £25.7m (2020: £71.2m). The Group generated cash from operating activities and investing activities for the year of £51.9m (2020: cash generated of £1.2m).

23. 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 2021				
Trade and other payables	**83,766**	**3,456**	**1,084**	**–**
Lease liability	**42**	**28**	**24**	**–**
Bank and other borrowings including interest payable	**–**	**–**	**37,781**	**–**
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	–

Capital risk management

The Group is subject to the risk that its capital structure will not be sufficient to support the growth of the business. The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern and have the resources to provide returns for shareholders and benefits for other stakeholders;
- to maximise returns to shareholders by allocating capital across the business based upon the expected level of return and risk; and
- to maintain an optimal capital structure to reduce the cost of capital.

The Group manages and monitors its cash balances and bank borrowings to ensure it has sufficient capital to manage and maintain its business activities. Cash balances are disclosed in Note 19.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of net debt to equity. Net debt is total debt less cash and at 31 December 2021 this was £25.7m (2020: £71.2m)

The Group had in place at 31 December 2021 a £150.0m (2020: £130.0m) RCF from NatWest and Santander as discussed in Note 20.

The facility is subject to financial covenants, including loan to market value of investment properties, minimum interest cover, gearing, and minimum consolidated net worth.

The Group operated within these requirements throughout the year.

Following the balance sheet date, the Group entered into a new five year £200m RCF (the "New RCF"), with a £40m accordion. The facility is provided by NatWest, Santander and HSBC, bringing a new bank into the Group's syndicate. The New RCF is aligned to the Group's strategy and provides significant additional liquidity and flexibility to enable it to pursue its strategic objectives. The new facility is subject to financial covenants, including minimum interest cover, maximum infrastructure debt as a percentage of property value and gearing.

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for the year ended 31 December 2021

24. Retirement benefit obligations

Defined contribution pension schemes

The Group pays defined contribution payments to pension insurance plans. Contributions to defined contribution schemes in the year amounted to £0.5m (2020: £0.5m). The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an expense when they are due.

Defined benefit obligations

The Group and Company have defined benefit obligations in respect of the Blenkinsopp Section of the Industry-Wide Mineworkers' Pension Scheme (the Blenkinsopp scheme). This scheme is closed to new members.

The Balance Sheet liability in respect of retirement benefit obligations is:

	Group		Company	
	As at 31 December 2021 £'000	As at 31 December 2020 £'000	**As at 31 December 2021 £'000**	As at 31 December 2020 £'000
Relating to continuing activities				
Blenkinsopp	**558**	968	**558**	968

Contributions to the Blenkinsopp scheme of £0.2m were made by the Group during 2021 (2020: £0.2m). It is expected that contributions of a similar amount will be paid in 2022. At December 2021, no contributions remained unpaid (2020: £nil).

The pension scheme is valued annually by a qualified independent actuary for the purposes of IAS 19 (revised) and the preparation of financial statements. The assumptions which usually have the most significant effect on the results of the valuation are the discount rate, which is based on corporate bond yields, and the rates of increase in pensions. There are no active members of this scheme. The main assumptions underlying the valuation of the Blenkinsopp scheme were:

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Discount rate	**1.90% p.a.**	1.30% p.a.
Rate of pension increases	**2.70% p.a.**	2.35% p.a.
Rate of price inflation (RPI)	**3.35% p.a.**	2.95% p.a.
Rate of price inflation (CPI)	**2.75% p.a.**	2.35% 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

	As at 31 December 2021	As at 31 December 2020
Life expectancy at age 65 for current pensioners (years)		
Male	**19.3**	19.3
Female	**22.6**	22.6
Life expectancy at age 65 for future pensioners currently aged 45 (years)		
Male	**20.7**	20.7
Female	**24.2**	24.1

The assumed pension increases depend on the period of service accrual (before April 1997: no increases, after 1997: in line with statutory minimum increases based on consumer price inflation).

24. Retirement benefit obligations continued

Defined benefit obligations

The amounts recognised in the Balance Sheet are:

	2021 **£'000**	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Fair value of plan assets	**2,747**	2,537	2,313	2,249	2,228
Present value of funding obligations	**(3,305)**	(3,505)	(3,084)	(2,711)	(2,791)
Net liability recognised in the Balance Sheet	**(558)**	(968)	(771)	(462)	(563)

The Blenkinsopp scheme does not own any shares in the Company.

The amounts recognised in the Consolidated Income Statement are:

Analysis of the amounts recognised in the Income Statement	**Year ended 31 December 2021 £'000**	Year ended 31 December 2020 £'000
Expenses	**(48)**	(49)
Interest cost	**(12)**	(14)
	(60)	(63)

A further credit of £0.3m (2020: cost £0.3m) has been reflected in the Statement of Comprehensive Income in the year. This represents the net effect of experience, and actuarial gains and losses on the scheme in the year.

Change in assets	**As at 31 December 2021 £'000**	As at 31 December 2020 £'000
Fair value of plan assets at the start of the year	**2,537**	2,313
Interest income	**33**	48
Actual return on scheme assets excluding interest income	**126**	104
Employer contributions	**208**	205
Expenses	**(48)**	(49)
Benefits paid	**(109)**	(84)
Fair value of plan assets at the end of the year	**2,747**	2,537

Plan assets, which are all quoted investments, are comprised as follows:

Analysis of plan assets (which are all quoted investments)	**As at 31 December 2021 £'000**	As at 31 December 2020 £'000
Gilts	**1,781**	1,626
Diversified and multi-asset growth funds	**–**	268
Delegated solutions	**926**	–
Sterling liquidity fund	**15**	–
Other	**25**	643
Total	**2,747**	2,537

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24. Retirement benefit obligations continued

Change in defined benefit obligations	**As at 31 December 2021 £'000**	As at 31 December 2020 £'000
Present value of defined benefit obligations at the start of the year	**(3,505)**	(3,084)
Interest cost	**(45)**	(62)
Remeasurements:		
– Gain/(loss) arising from changes in demographic assumptions	**10**	(14)
– (Loss)/gain arising from changes in experience	**(12)**	68
– Gain/(loss) arising from changes in financial assumptions	**138**	(497)
Benefits paid	**109**	84
Present value of defined benefit obligation at the end of the year	**(3,305)**	(3,505)

Analysis of the movement of the Balance Sheet liability	**As at 31 December 2021 £'000**	As at 31 December 2020 £'000
At the start of the year	**(968)**	(771)
Total amounts recognised in the Income Statement	**(60)**	(63)
Employer contributions	**208**	205
Net actuarial gain/(loss) recognised in the year	**262**	(339)
At the end of the year	**(558)**	(968)

The duration of the defined benefit obligation is c.17 years (2020: c.18 years).

Cumulative actuarial gains and losses recognised in equity	**As at 31 December 2021 £'000**	As at 31 December 2020 £'000
At the start of the year	**(949)**	(610)
Net actuarial gain/(loss) recognised in the year	**262**	(339)
At the end of the year	**(687)**	(949)

Experience gains and losses	**Year ended 31 December 2021 £'000**	Year ended 31 December 2020 £'000
Actual return on scheme assets excluding interest income	**126**	104
Remeasurements:		
– Loss arising from changes in experience	**(12)**	68
– Loss arising from changes in financial assumptions	**138**	(498)
– Loss arising from changes in demographic assumptions	**10**	(13)
Net actuarial loss	**262**	(339)

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.

24. Retirement benefit obligations continued

The sensitivity of the defined benefit obligations to changes in the weighted principal assumptions is:

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Change in discount rate by 0.1%	**56**	62
Change in price inflation (and associated assumptions) by 0.1%	**49**	54
Increase in life expectancy by 1 year	**150**	163

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 delegated solutions as detailed earlier in the note.
- Interest rate risk: a decrease in the corporate bond interest rate will increase the liability but this would likely be partially offset by an increase in the return on the Scheme's debt investments.
- Longevity risk: the present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of Scheme participants both during and after retirement. An increase in the life expectancy of the participants will increase the Scheme's liability.

25. Share-based payments

During the year, there were five classes of equity-settled share incentive plans outstanding:

- Deferred Share Bonus Plan (DSBP). Under this scheme share options with a nil-cost exercise price are granted to eligible employees. Vesting of the share options is subject to the achievement of a performance condition relating to Total Return and continued employment.
- Long Term Incentive Plan (LTIP). Under this scheme share options with a nil-cost exercise price are granted to eligible employees. Vesting of the share options is subject to the achievement of performance conditions relating to Total Return and Relative Total Shareholder Return and continued employment.
- Restricted Share Plan (RSP). Under this scheme share options with a nil-cost exercise price are granted to eligible employees. Vesting of the share options is subject to continued employment and the satisfaction of underpin conditions relating to Financial Health, Underlying performance and Corporate Governance as detailed on page 144 of the Directors' Remuneration Report.
- Save As You Earn (SAYE). Under this scheme eligible employees enter into a savings contract for a period of three years. Share options are granted on commencement of the savings contract and are exercisable using the amount saved under the contract at the time it terminates. Share options are granted at a discount of up to 20% of the market value of the shares at the time of invitation. The exercise of the share options is subject to continued employment only.
- Share Incentive Plan (SIP). Under this scheme eligible employees are granted free shares which vest after three years subject to continued employment only.

Share options granted under the DSBP, LTIP and RSP are exercisable no later than the tenth anniversary of the grant date. Share options granted under the SAYE are exercisable for a six-month period after the end of the three-year savings period.

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25. Share-based payments continued

The movements in the number of share options outstanding and their weighted average exercise prices are as follows:

	Number of shares		Weighted average exercise price	
DSBP	**2021**	2020	**2021**	2020
Outstanding at beginning of the year	**151,800**	169,799	**£0.00**	£0.00
Granted during the year	**–**	–	**n/a**	n/a
Forfeited during the year	**(136,469)**	(17,999)	**£0.00**	£0.00
Exercised during the year	**(14,264)**	–	**£0.00**	n/a
Outstanding at end of the year	**1,067**	151,800	**£0.00**	£0.00
Exercisable at end of the year	**1,067**	–	**£0.00**	n/a
Weighted average remaining contractual life	**6.26 years**	7.27 years		

	Number of shares		Weighted average exercise price	
LTIP	**2021**	2020	**2021**	2020
Outstanding at beginning of the year	**456,101**	972,507	**£0.00**	£0.00
Granted during the year	**–**	–	**n/a**	n/a
Forfeited during the year	**(406,638)**	(250,355)	**£0.00**	£0.00
Exercised during the year	**(49,463)**	(266,050)	**£0.00**	£0.00
Outstanding at end of the year	**–**	456,101	**n/a**	£0.00
Exercisable at end of the year	**–**	–	**n/a**	n/a
Weighted average remaining contractual life	**–**	7.27 years		

	Number of shares		Weighted average exercise price	
RSP	**2021**	2020	**2021**	2020
Outstanding at beginning of the year	**921,769**	379,230	**£0.00**	£0.00
Granted during the year	**664,339**	593,801	**n/a**	£0.00
Forfeited during the year	**(83,225)**	(51,262)	**£0.00**	£0.00
Exercised during the year	**–**	–	**£0.00**	n/a
Outstanding at end of the year	**1,502,883**	921,769	**n/a**	£0.00
Exercisable at end of the year	**–**	–	**n/a**	n/a
Weighted average remaining contractual life	**8.66 years**	9.19 years		

	Number of shares		Weighted average exercise price	
SAYE	**2021**	2020	**2021**	2020
Outstanding at beginning of the year	**865,055**	571,976	**£0.81**	£0.88
Granted during the year	**175,063**	787,692	**£1.02**	£0.74
Forfeited during the year	**(109,377)**	(149,088)	**£0.79**	£0.94
Exercised during the year	**(53,211)**	(345,525)	**£0.86**	£0.80
Outstanding at end of the year	**877,530**	865,055	**£0.82**	£0.78
Exercisable at end of the year	**–**	1,339	**n/a**	£0.81
Weighted average remaining contractual life	**2.03 years**	2.76 years		

25. Share-based payments continued

SIP	Number of shares 2021	Number of shares 2020	Weighted average exercise price 2021	Weighted average exercise price 2020
Outstanding at beginning of the year	**101,310**	54,320	**£0.00**	£0.00
Granted during the year	**63,852**	62,465	**£0.00**	£0.00
Forfeited during the year	**(14,425)**	(9,673)	**£0.00**	£0.00
Exercised during the year	**(2,892)**	(5,802)	**£0.00**	£0.00
Outstanding at end of the year	**147,845**	101,310	**£0.00**	£0.00

The fair values of the share options granted under the RSP and SAYE during the year were determined using Black–Scholes valuation methodology.

The significant inputs to the valuation models were as follows:

	RSP	SAYE
Share price at date of grant	£1.28	£1.28
Exercise price	£0.00	£1.02
Dividend yield	0.01%	0.01%
Expected volatility	0.33%	0.32%
Risk free interest rate	n/a	–
Expected term	4.90 years	3.33 years
Weighted average fair value	£1.06	£0.35

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 2018 DSBP Scheme were exercised in the year with a weighted average share price on exercise of £1.50.

Awards under the 2018 LTIP Scheme were exercised in the year with a weighted average share price on exercise of £1.26.

Awards under the 2018 SAYE Scheme and 2020 SAYE Scheme were exercised in the year with a weighted average share price on exercise of £1.47.

The total charge for the year relating to employee share-based payment plans was £0.5m (2020: £0.6m), all of which related to equity-settled share-based payment transactions.

26.Share capital

Issued, authorised and fully paid

Group and Company	As at 31 December 2021 £'000	As at 31 December 2020 £'000
At 1 January	**32,253**	32,191
Shares issued	**19**	62
At 31 December	**32,272**	32,253

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26. Share capital continued

Issued, authorised and fully paid – number of shares

Group and Company	As at 31 December 2021	As at 31 December 2020
At 1 January	**322,530,807**	321,909,382
Shares issued	**193,759**	621,425
At 31 December	**322,724,566**	322,530,807
Own shares held	**(185,282)**	(120,487)
At 31 December	**322,539,284**	322,410,320

There is only one class of share in issue: ordinary shares of 10 pence each. All shares carry equal rights to dividends, voting and return of capital on a winding up of the Company, as set out in the Company's Articles of Association.

The own shares held represent the number of shares held by the Employee Benefit Trust and Yorkshire Building Society to satisfy Long Term Incentive Plan awards for Executive Directors and Senior Executives and Share Investment Plan awards for employees.

27. Share premium account

Group and Company	As at 31 December 2021 £'000	As at 31 December 2020 £'000
At 1 January	**24,567**	24,359
Premium on shares issued	**60**	208
At 31 December	**24,627**	24,567

28. Commitments

At 31 December 2021 the Group had contractual commitments due under construction contracts of £5.6m (2020: £nil). 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 Developments as set out in Note 14.

29. Operating leases

Future minimum lease receipts

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

	Group	
	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Less than one year	**17,220**	15,991
Between one and two years	**14,689**	13,353
Between two and three years	**13,100**	12,003
Between three and four years	**11,033**	11,150
Between four and five years	**10,200**	10,469
More than five years	**122,303**	118,267
	188,545	181,233

As set out in Note 14, property rental income earned during the year was £19.5m (2020: £14.8m).

30. Related party transactions

Group

The Group carried out the following transactions with related parties during 2021. The following entities are related parties as a consequence of shareholdings, joint venture arrangements and partners of such and/or common Directorships. All related party transactions are clearly justified and beneficial to the Group, are undertaken on an arm's-length basis on fully commercial terms and in the normal course of business.

PEEL GROUP	**Year ended/as at 31 December 2021 £'000**	Year ended/as at 31 December 2020 £'000
Revenue		
Profit on sale from overages	**–**	987
Disposal proceeds at Logistics North	**2,019**	–
Purchases		
Reimbursement of technical due diligence	**91**	–
Receivables		
Deferred consideration for land at Logistics North	**200**	–

MULTIPLY LOGISTICS NORTH HOLDINGS LIMITED & MULTIPLY LOGISTICS NORTH LP	**Year ended/as at 31 December 2021 £'000**	Year ended/as at 31 December 2020 £'000
Revenue		
Recharges of costs	**136**	–
Asset management fee	**271**	107
Water charges	**107**	100
Purchases		
Diversion of surface water drain	**–**	97
Receivables		
Trade receivables	**66**	153
Other receivables	**–**	285

POLYPIPE	**Year ended/as at 31 December 2021 £'000**	Year ended/as at 31 December 2020 £'000
Revenue		
Rent	**25**	5
Receivables		
Trade receivables	**6**	–

WAVERLEY SQUARE LIMITED	**Year ended/as at 31 December 2021 £'000**	Year ended/as at 31 December 2020 £'000
Shareholder loan made during the year*	**–**	169

* Waverley Square Limited became a fully owned subsidiary of the Group on 26 June 2020 and has been placed into liquidation, to complete within 12 months of the year end.

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30. Related party transactions continued

THE AIRE VALLEY LAND LLP	Year ended/as at 31 December 2021 £'000	Year ended/as at 31 December 2020 £'000
Partner loan repayment	–	(7,951)
Profit share received during the year	–	(979)
Receivable	26	2

CRIMEA LAND MANSFIELD LLP	Year ended/as at 31 December 2021 £'000	Year ended/as at 31 December 2020 £'000
Partner loan repayment	(30)	–
Receivable	–	2

NORTHERN GATEWAY DEVELOPMENT VEHICLE LLP	Year ended/as at 31 December 2021 £'000	Year ended/as at 31 December 2020 £'000
Partner loan made during the year	1,003	–
Receivable	25	528

HALLAM LAND MANAGEMENT LIMITED	Year ended/as at 31 December 2021 £'000	Year ended/as at 31 December 2020 £'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)

BATES REGENERATION LIMITED	Year ended/as at 31 December 2021 £'000	Year ended/as at 31 December 2020 £'000
Shareholder loan repayment*	(4)	–

*Bates Regeneration Limited was dissolved during the year, on 12 October 2021.

BANKS GROUP	Year ended/as at 31 December 2021 £'000	Year ended/as at 31 December 2020 £'000
Revenue		
Annual option sums	5	5
Provision of certificate regarding title	–	1
Payables		
Trade payables	–	(5)
Deferred payment in respect of the acquisition of land at Moss Nook	–	(1,000)

30. Related party transactions continued

Company

The Company carried out the following transactions with subsidiary undertakings.

Details of the Company's intercompany balances and interest receivable/(payable) are set out below:

	Year ended/as at 31 December 2021		Year ended/as at 31 December 2020	
	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	**411**	**19,238**	526	20,970
Harworth Estates Limited	**(64)**	**(4,655)**	(51)	(2,881)
Harworth Estates (Agricultural Land) Limited	**(33)**	**(1,824)**	(39)	(1,551)
Harworth Estates Investments Limited	**(166)**	**(10,283)**	(92)	(4,605)
Harworth Guarantee Co. Limited	**–**	**–**	–	(49)
Harworth Estates Overages Limited	**–**	**2**	–	–
Harworth Estates Mines Property Limited	**–**	**6,256**	–	6,250
Harworth Estates Curtilage Limited	**45**	**2,216**	54	2,170
Harworth Estates Waverley Prince Limited	**(6)**	**(265)**	(7)	(274)
Harworth Estates Property Group Limited	**(108)**	**(6,662)**	(90)	(4,035)
Harworth Surface Water Management (North West) Limited	**(10)**	**(510)**	(2)	(502)
Coalfield Estates Limited	**–**	**–**	–	(29)
Harworth Estates Warwickshire Limited	**–**	**2**	–	–
Harworth TRR Ltd	**–**	**13**	–	–
Logistics North MC Limited	**–**	**2**	–	–
POW Management Company Limited	**–**	**(1)**	–	–
Rossington Community Management Company Limited	**–**	**(1)**	–	–
Flass Lane Management Company Limited	**–**	**(1)**	–	–
Mapplewell Management Company Limited	**–**	**(1)**	–	–
Cadley Park Management Company Limited	**–**	**(1)**	–	–
Simpson Park Management Company Limited	**–**	**(1)**	–	–
Ansty Development Vehicle LLP	**–**	**6**	–	–
	69	**3,530**	299	15,464

Dividends received

During the year the Company received dividends of £nil (2020: £nil) from subsidiary undertakings.

Notes to the financial statements

for the year ended 31 December 2021

31. Post balance sheet events

Following the balance sheet date Harworth has agreed a new senior debt package comprising a five-year £200 million RCF together with a £40 million uncommitted accordion option, provided by NatWest, Santander and HSBC.

The facility replaces Harworth's previous RCF with NatWest and Santander, which was increased from £130 million to £150 million in 2021, and had an expiry date of February 2024.

The new RCF is aligned to Harworth's strategy to reach £1bn of EPRA NDV over five to seven years and provides significant additional liquidity and flexibility. The interest rate of the facility is on a ratchet mechanism with a margin payable above SONIA in the range of 2.25% to 2.50%.

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

To deliver the strategic plan, Harworth has adopted a target net loan to portfolio value at year end of below 20%, with a maximum year end net loan to portfolio value of 25%. The Group will continue to use site-specific development and infrastructure loans alongside the main banking facilities to support the revised strategy.

There are no other post balance sheet events to disclose that have not been disclosed publicly by a regulatory news announcement.

Glossary of frequently used terms and abbreviations

2018 Code	2018 UK Corporate Governance Code
AGM	Annual General Meeting
AMP	Advanced Manufacturing Park
APM	Alternative Performance Measure
BCP	Business Continuity Plan
BREEAM	Building Research Establishment Environmental Assessment Method
CDM	Construction Design and Management
CEO	Chief Executive
CFO	Chief Financial Officer
CIO	Chief Investment Officer
COO	Chief Operating Officer
CPD	Continuous Professional Development
DSBP	Deferred Share Bonus Plan
EA	Environment Agency
EAP	Employee Assistance Programme
EBT	Employee Benefit Trust
EPRA	European Public Real Estate Association
ERV	Estimated Rental Value
ESG	Environmental, Social and Governance
EY	Ernst & Young LLP
GDPR	General Data Protection Regulation
GLC	Group Leadership Committee
GRAM	Group Risk and Assurance Map
GVA	Gross Value Added
KPI	Key Performance Indicator
KWh	Kilowatt hours
LEP	Local Enterprise Partnership
LTIP	Long-Term Incentive Plan
LTV	Loan to portfolio value
NAV	Net Asset Value
NDV	Net Disposal Value
PEVG	Profit Excluding Value Gains
PPA	Planning Promotion Agreement
PSG	People Steering Group
PV	Photo-Voltaic
RCF	Revolving Credit Facility
RICS	Royal Institution of Chartered Surveyors
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
RSP	Restricted Share Plan
SAYE	Save As You Earn
Senior Executive	Comprises the CEO, CFO, COO, CIO and General Counsel
Senior Leadership Team	Comprises the Investment Committee and Group Leadership Committee, see page 89
SIP	Share Incentive Plan
SSSI	Site of Special Scientific Interest
TCFD	Task Force on Climate-Related Financial Disclosures
TSR	Total Shareholder Return
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
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

HSBC UK Bank plc
1 Centenary Square
Birmingham, B1 1HQ

Company Registered Number
02649340

Share price information
The Company's Ordinary Shares are traded on the London Stock Exchange.
SEDOL number BYZJ7G4
ISIN number GB00BYZJ7G42
Reuters ticker HWG.L
Bloomberg ticker HWG:LN

LEI Code
213800R8JSSGK2KPFG21

Financial Calendar

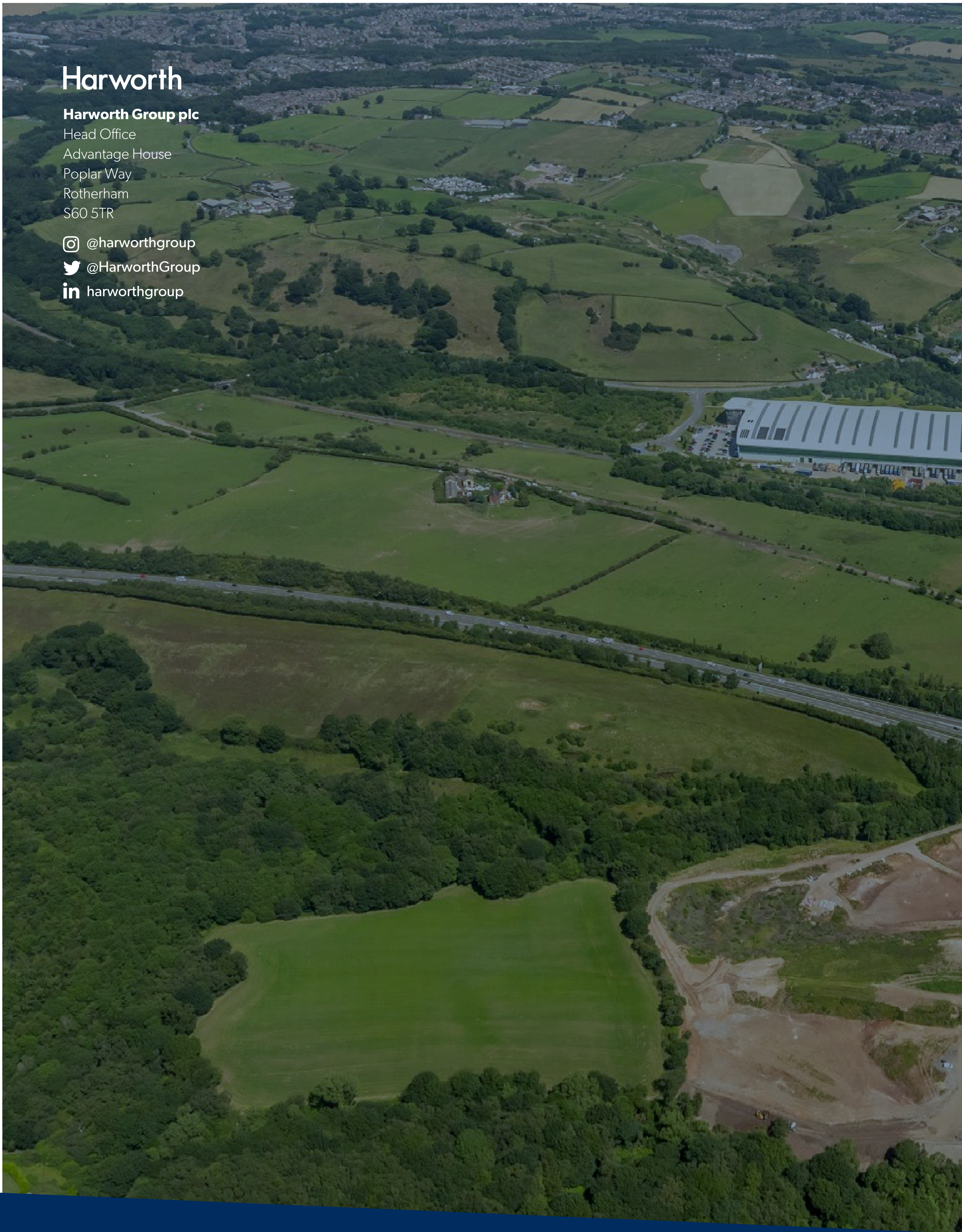
Annual General Meeting The Bessemer Conference Room, AMP Technology Centre, Advanced Manufacturing Park, Brunel Way, Catcliffe, Rotherham, S60 5WG.	24 May 2022
Interim Results Announcement 2022 Interim Results to be published at **www.harworthgroup.com/investors**	September 2022

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.

Consultancy, design and production by:
jonesandpalmer.co.uk



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