Harworth

Creating value through the cycle

Harworth Group plc

Annual Report and
Financial Statements 2023

Harworth

Harworth is a long-term, through-the-cycle business. We have an extensive landbank and a highly specialised team with the skillset to look through near-term market conditions, deliver large-scale regeneration, and unlock the inherent value of our sites.

We are delivering against our ambitious strategy to become a £1bn business by the end of 2027, while having a positive lasting impact on our planet, our communities, and our people.

Who we are

Harworth is one of the leading land and property regeneration companies in the UK, owning and managing over 14,000 acres across around 100 sites in the North of England and the Midlands. Based in Rotherham, South Yorkshire, we also have regional offices in Birmingham, Leeds and Manchester.

Our purpose is to invest to transform land and property into sustainable places where people want to live and work. Through this, we support new homes, jobs and communities across the regions, and deliver long-term value for all our stakeholders.

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

What we do

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

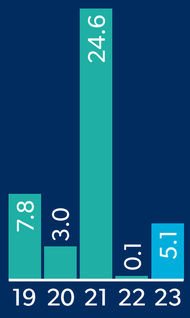
Our team comprises experts in transactions, planning, land remediation, engineering and development, supported by central functions and a highly experienced management team. We have three regional teams – Yorkshire & Central, North West and the Midlands – which bring further local knowledge, expertise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

Our purpose, culture and values

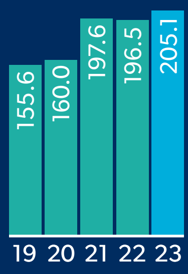
Our ability to execute our strategy and deliver our purpose is reliant on delivering against our sustainability framework, The Harworth Way, and on attracting, maintaining and developing great talent. We achieve this through our 'One Harworth' culture, which encourages a collaborative approach to delivering and managing our sites, and ensures we succeed as one team.

2023 Highlights

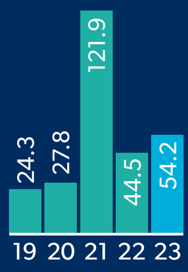
Total Return*
5.1%
2022: 0.1%



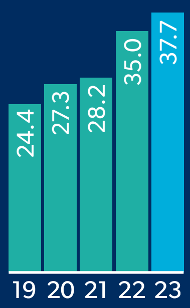
EPRA NDV per share*
205.1p
2022: 196.5p



Operating profit
£54.2m
2022: £44.5m

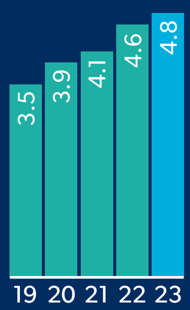


Industrial & logistics pipeline (sq. ft)
37.7m
2022: 35.0m

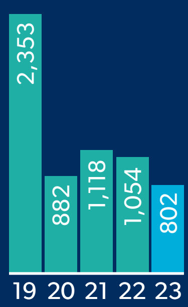


Residential pipeline (plots)
27,190
2022: 29,311

Potential value to local communities ('GVA')
£4.8bn
2022: £4.6bn



Location based Scope 1, Scope 2 and Scope 3 business travel emissions (tCO_2e)
802
2022: 1,054



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

2023 Year in review

January

110,000 sq. ft of industrial & logistics space completed at Gateway 36, Barnsley

The three Grade A units represent the start of the second phase of this highly successful development, which is adjacent to Junction 36 of the M1 and benefits from significant infrastructure funding from South Yorkshire Mayoral Combined Authority.

Built to Harworth's commercial building specification, the new units achieved BREEAM "Very Good" status and an EPC rating of A, and also benefit from on-site renewable energy generation. The first unit was let to lifestyle brand Lucy & Yak following completion. A further unit was let to retailer Dunelm shortly after year-end, with a lease commencement date of 31 December 2023.

Strategic priorities: 1

Read more on pages 18 to 21

April

Published Net Zero Carbon ('NZC') Pathway Report

In 2022, we committed to becoming operationally NZC by 2030 and NZC for all emissions by 2040.

Our NZC Pathway Report outlines for the first time the steps that the Group will take to address the challenges and opportunities that decarbonisation brings. It provides clear and practical guidance for the business, and a framework through which our progress can be measured.

Opened new 50-acre country park at Cadley Park Development

Officially named Coronation Park, the space was developed by Harworth in close partnership with South Derbyshire District Council as well as the National Forest, RSPB, Derbyshire Wildlife Trust and the local community. We opened a total of 71 acres of managed green space in 2023.

July

Investment Portfolio sales total £70m

The significant sales programme was carried out as part of our strategy to transition this part of the portfolio to 100% modern Grade A, by disposing of assets where value has already been maximised through asset management and development initiatives, and retaining the majority of the Grade A units that we directly develop.

The sales comprised six assets and all were completed at prices broadly in line with book values before transaction costs.

Strategic priorities: 4

Read more on pages 19 and 20

South Yorkshire becomes the UK's first Investment Zone

The new designation covers our Advanced Manufacturing Park (AMP) and Gateway 36 sites, further enhancing their attractiveness to occupiers and investors. The zone will benefit from £80m of government funding and is expected to generate more than £1.2bn of private investment and support more than 8,000 jobs across Sheffield, Rotherham, Doncaster and Barnsley by 2030.

Progress since the year-end

Strategic momentum continues

- **Completed a further plot sale to Sky-House at Waverley in Rotherham**
- **Completed letting to Dunelm at Gateway 36 with a lease commencement date of 31 December 2023**
- **Launched Coze Homes, our net zero carbon homes pilot**
- **Completed the sale of a site in Flaxby Moor Industrial Estate, Knaresborough for £13.3m, in line with book value**
- **Further forward-funding agreement signed with Great Places as part of our portfolio of sites for affordable housing, for the delivery of 155 homes in total**
- **72.1% of 2024 budgeted sales by value already completed, exchanged or in heads of terms**

November

Planning secured for 800,000 sq. ft. Skelton Grange industrial & logistics development

The 50-acre site, to the south-east of Leeds city centre, was formerly the location of the Skelton Grange Power Station and was acquired by Harworth in 2014.

The approved plans would see the development of up to five units, built to Grade A specification, with the incorporation of on-site renewable energy and the highest standards of environmental efficiency.

Alongside infrastructure upgrades, the plans include a segregated cycle and pedestrian path that is proposed to connect to the Trans Pennine Trail and Sustrans Route 67, as well as tree and hedge planting and other ecological enhancements.

This planning approval brought our total consented industrial & logistics pipeline to 6.1m sq. ft, representing an estimated GDV of £0.8bn.

Strategic priorities: 1 4

Read more on pages 18 to 19

December

Significant plot sales bring the total for the year to 1,170

The December transactions comprised six land parcel sales in Yorkshire and the Midlands to four housebuilders, and the Group's first forward funding agreement with a registered provider, Great Places, as part of our affordable housing portfolio.

The largest disposal was the whole of a site in Killamarsh, Derbyshire, which was sold jointly to both Harron Homes and Homes by Honey. In the first half of the year, outline planning consent was secured to develop up to 397 family homes at the site.

The total headline sales price for these transactions was £52.1 million and all were completed at prices broadly in line with book values before transaction costs.

Strategic priorities: 2

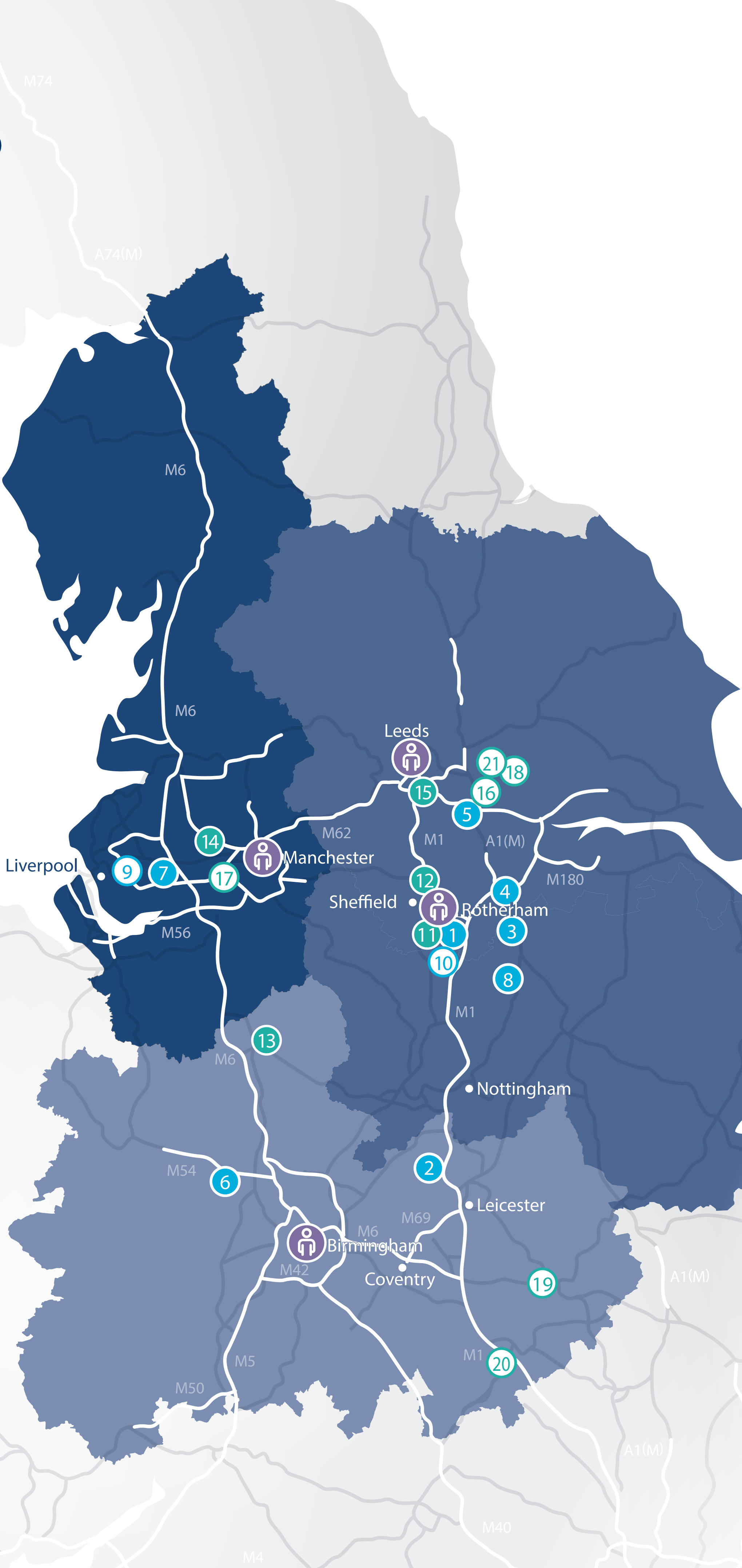
Read more on pages 18 and 22

Our portfolio

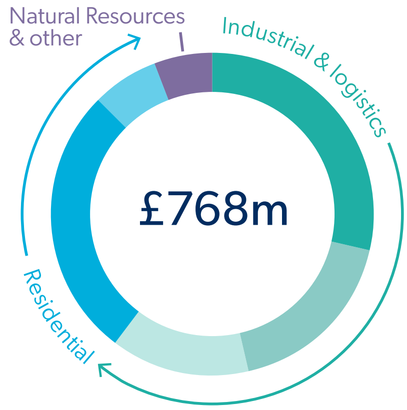
We have an extensive industrial & logistics and residential portfolio in the North of England and the Midlands

Across our three operating regions of Yorkshire & Central, the Midlands and the North West, our portfolio has the potential to deliver 37.7m sq. ft of industrial & logistics space and 27,190 residential plots. Our regional teams based in Birmingham, Leeds, Manchester and Rotherham bring further local knowledge, expertise and relationships.

Read more about our portfolio on pages 28 to 30



Portfolio overview



Industrial & logistics

- Investment Portfolio: **£221m; 2.5m sq. ft**
- Major developments: **£136m; 4.6m sq. ft**
- Strategic land: **£106m; 33.1m sq. ft**

Residential

- Major developments: **£210m; 6,159 plots**
- Strategic Land: **£52m; 21,031 plots**

Key residential developments

	Site name	Location	Plots sold	Plots consented or planned
1	Waverley	Rotherham, South Yorkshire	2,528	3,038 consented
2	South East Coalville	Coalville, Leicestershire	977	2,016 consented
3	Simpson Park	Harworth, Nottinghamshire	629	1,615 consented
4	Pheasant Hill Park	Doncaster, South Yorkshire	645	1,200 consented
5	Prince of Wales	Pontefract, West Yorkshire	589	622 consented, a further 441 planned
6	Benthall Grange	Ironbridge, Shropshire	110	1,000 consented
7	Moss Nook	St Helens, Merseyside	256	900 consented
8	Thoresby	Edwinstowe, Nottinghamshire	650	800 consented
9	Huyton	Knowsley, Merseyside	–	1,500 planned
10	Staveley	Staveley, Derbyshire	–	590 planned

Key industrial & logistics developments

	Site name	Location	Sold or developed (sq. ft)	Space consented or planned (sq. ft)
11	AMP	Rotherham, South Yorkshire	1.7m	2.1m consented
12	Gateway 36	Barnsley, South Yorkshire	0.6m	1.3m consented
13	Chatterley Valley	Stoke-on-Trent, Staffordshire	–	1.2m consented
14	Wingates	Bolton, Greater Manchester	–	1.0m consented, a further 1.5m planned
15	Skelton Grange	Leeds, West Yorkshire	–	0.8m consented, a further 0.3m planned
16	N Yorkshire site	North Yorkshire	–	3.0m planned
17	Northern Gateway[1]	Greater Manchester	–	2.5m planned
18	Cinderhill	Cinderhill, Derbyshire	–	1.8m planned
19	Rothwell	Rothwell, Northamptonshire	–	1.8m planned
20	Junction 15	Northampton, Northamptonshire	–	1.6m planned
21	Gascoigne Wood	Sherburn-in-Elmet, N Yorkshire	–	1.5m planned

[1] Harworth's share of a Joint Venture, adjacent to the M62 and close to the M66, Northern Gateway is the core site of the Atom Valley Mayoral Development Zone. A mix of freehold and optioned land

Key

Major Developments · Strategic Land · Harworth offices

Our investment case

Our unique attributes enable us to unlock the long-term potential of our sites and we have consistently delivered market leading returns through the cycle.

Unique skillset

We have unrivalled in-house expertise as a specialist regenerator of large, complex sites alongside a depth of experience in acquisitions, remediation, planning, development and placemaking.

Our insight and long-term approach mean that we are able to unlock the potential of challenging sites where others have struggled or avoided them altogether.

Number of employees (on 31 December 2023)

120

comprising experts in transactions, planning, land remediation, engineering and development, supported by central functions and a highly experienced senior management team.

Read more on pages 76 and 77

Extensive landbank

We own over 14,000 acres of land with the potential to develop over 27,000 homes and 38 million sq. ft of employment space across the North of England and the Midlands. We have grown this landbank over time through targeted acquisitions.

This scale, combined with our preference for freehold ownership provides us with significant opportunities and flexibility.

Estimated potential GDV of portfolio

£4.8bn

Demonstrating significant latent value for us to unlock.

Read more on pages 28 to 30

Undersupplied markets

Our core focus markets of residential and industrial & logistics have strong structural tailwinds and are critical to the growth of the UK economy.

Within the industrial & logistics sector we focus on developing and owning Grade A space that meets the evolving needs of occupiers, while our residential products are focused on de-risked serviced land for housebuilders and resilient mixed tenures.

Investment in the Build-to-Rent ('BTR') sector in 2023

£4.5bn

close to its highest-ever level, representing the opportunity for our BTR portfolio

Read more on pages 12 and 13

Regional exposure

Our focus regions of Yorkshire & Central, the Midlands and the North West are areas where supply of industrial & logistics space is more constrained than the national average and demand for housing is more resilient, mainly due to better affordability.

These areas are sources of significant untapped potential and are also the focus of initiatives and investment aimed at "levelling up" the economy.

Industrial & logistics supply in the Midlands and Yorkshire

<1 year

based on long-term take-up

Read more on pages 12 and 13

Strong financial position

We have consistently maintained a strong financial position, with low gearing and significant available liquidity. Combined with having no major refinancing requirements until 2027, this provides us with significant flexibility and firepower.

We seek to maintain cash flows in balance by funding the majority of infrastructure expenditure through disposal proceeds, while allowing for growth in the portfolio.

Net loan to portfolio value ('LTV')* of just

4.7%

one of the lowest in our sector

Read more on pages 31 to 38

Responsible business

Our purpose is to invest to create sustainable places where people want to live and work. We aim to have a lasting positive impact by supporting new homes, jobs and communities, and delivering long-term value.

We have ambitious targets that underline our commitment to sustainability, including to be operationally NZC for 2030 and NZC for all emissions by 2040.

Industrial & logistics portfolio has the potential to support

76,500 jobs

in our regional economies

Read more on pages 74 and 75

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Chair's statement

Resilience through the cycle

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

Alastair Lyons
Chair

When I wrote my statement a year ago I said that, "alongside the rest of the market, planning what the business will achieve in 2023 has been as much an art as a science given the prevailing uncertainty". I went on to say that "whilst we cannot control markets we can position ourselves to make the most of what positive momentum may develop during the year, progressing those sites that will be most in demand by housebuilders as oven ready products in strong locations, and working with potential occupiers of commercial space to tailor what we bring forward to meet their requirements through build-to-suit and pre-let development. We will also seek to advance sites through the planning process so that when market conditions are right to invest further in particular sites, we have the consents we need to progress." And that is exactly what Lynda Shillaw and her management team have delivered over the past 12 months, resulting in a creditably strong performance of a Total Return* for the year of 5.1% against an uncertain market backdrop.

I also said that over the long term all the value created in the business will be due to management actions and that has been fully supported by how 2023 has turned out. Underlying markets are little changed over the year – industrial & logistics yields have continued to increase but at a slower rate following the material increase in the fourth quarter of last year as interest rates increased and this yield shift has been largely offset by growth in market rent. Current transactional evidence has underpinned the value of our residential sites in which we have continued to see strong interest from housebuilders. The £29m increase in EPRA NDV* during the year was, therefore, primarily the result of the development milestones our management have achieved: obtaining planning consents; installing site infrastructure; securing sales on residential sites; evidencing site specific use value; delivering practical completions; and gaining letting commitments for commercial development.

There are of course elements outside of our control, planning being a case in point. It is widely reported that the planning process itself is lengthening as local authority resource constraints bite, whilst the backdrop of policy and political uncertainty increasingly influences site specific planning decisions. Value gains projected to be delivered during the course of a particular year may, therefore, end up being realised in a subsequent period despite the best endeavours of management. While our team is highly adept at navigating these challenges, the long-term nature of the business makes relative progress against our plans over the medium term a better measure of the successful execution of strategy than solely focussing on the achievement of specific targets for a discrete year. Having said this, we do continue to outperform industry benchmarks, with our Total Return* of 5.1% comparing favourably to the MSCI All Property Return of -1.0% in the year, as it did in the prior year when our Total Return* was 0.1% but the MSCI All Property Return was -8.5%.

Lynda's Chief Executive's Report sets out what has been achieved during the year against each element of the strategy agreed by the Board in 2021 following her appointment. As will be seen material progress has been made in every area.

- With practical completion of 193,000 sq. ft of directly developed Grade A commercial space, and £70.0m sales of mature properties, 37% of our investment portfolio is now Grade A, up from 18% last year.
- Against the objective to broaden our range of residential products

we are working towards exchange with partners interested in our BTR land portfolio and have signed our first deals for our affordable homes developments. We have also launched our pilot NZC homes development, Coze Homes.

- Our development strategy aims to maintain a 12 to 15-year forward pipeline of sites at varying stages of planning and development. Control of sizeable land holdings was secured during the year, the nature of the tenure across freehold, option, and planning promotion agreements being determined by the degree of planning confidence, development timescales, and what is commercially optimal. In all we added the potential for 1.8m sq. ft of industrial & logistics space and 809 housing plots.

Within our ESG strategy we are this year setting out in detail the framework of our social strategy under our Communities pillar, supplementing our Net Zero Carbon Pathway that was published last year under the Planet pillar. For every potential development we assess its environmental and social implications, very conscious of the material impact of developments of the scale we bring forward on both the natural world and the wider communities of which they will form a part. Our Communities Framework sets out our approach to regeneration and aligns as far as possible with both industry and national guidance. We are also gaining an increasingly detailed insight into our carbon footprint having made strong progress analysing our Scope 3 emissions, both those of our contractors and suppliers that are upstream of our developments and those downstream businesses that are tenants within our Investment Portfolio. We are working with both upstream and downstream stakeholders to reduce emissions along our path to deliver our commitment to be NZC for all emissions by 2040.

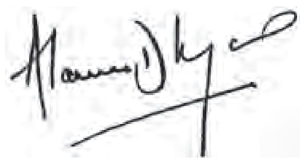
With falling inflation and the next move in interest rates expected to be downwards, it is good to see market interest increasing in our sector and the Harworth share price outperforming sector benchmarks having gained 41% since its low point in October 2023. That said, we remain acutely conscious that we still stand at a 34% discount to NDV which is deeply frustrating for all shareholders, the Board, management, and employees alike. We believe that, as the sector rerates, the discount will continue to narrow: equally, we recognise that the structure of our shareholding and the resulting lack of liquidity in our stock can be a barrier to entry for investors wishing to deploy significant capital. It is, therefore, the task of the Board and management to make the investment proposition as compelling as possible by the quality of our delivery against our strategic objectives and the effectiveness with which we communicate what we do and the successes we achieve. We maintain a strong balance sheet with relatively low gearing, significant available liquidity to take advantage of opportunities developed by our team, and no refinancing requirements under our core facilities.

The multiple discrete stages at which we realise value on our developments make it inevitable that Harworth is managed as a through-the-cycle business. Success at each of these stages depends primarily on one thing – people. Since becoming Chair at Harworth I have consistently held that Harworth is all about its people, their skills, experience, and position in our sector. It is they who see the strategic potential of undeveloped land and create substance from their vision through their master plan, assessing the potential of the site given its particular characteristics. It is they who turn that master plan into an outline capable of securing planning consent and negotiate with planners and local communities how best to meet their, and our, objectives. It is they who have the relationships with landowners, their agents, site finders and housebuilders and negotiate the terms of both site acquisitions and sales. It is they who, as seasoned professionals, have the connectivity developed across their careers to ensure those entities with a possible interest and their agents are fully aware of a site's potential, and who frequently work over a long period to develop that interest to the point of being willing to agree a transaction that fully reflects the extent of value that our work on bringing the site forward has created.

We recognise fully that our people are at the heart of our success, a primary focus of Lynda and her team being the recruitment and retention of the people we need, designing policies and practices that engage, motivate, and incentivise. In turn, the Board recognises that effective leadership of the development and implementation of our strategy is key to our success and we regard ourselves fortunate to have a highly capable and committed senior leadership team, the retention of which we aim to ensure through appropriate motivation and incentivisation.

Whilst there were no departures or new faces within either our executive or non-executive directors last year we shall be saying goodbye at the end of this year to Steven Underwood, our longest serving non-executive director. Steven first joined the board in August 2010 as the representative director of Peel Group, one of our largest shareholders, where he is currently Chief Executive. Following the reduction of Peel Group's shareholding to below 25% in 2019, we asked Steven to remain for a period on the Board in a personal, rather than representative, capacity given his depth of understanding of real estate development and the market in the north of England. At December he will have served almost 14 and a half years on our Board, hence, whilst offering himself for reappointment at the forthcoming AGM, he will be doing so on the basis that he will step down on 31 December 2024. He has been a great colleague who has added considerable value to our deliberations over a long period, and his wise counsel will be missed.

Let me finish by conveying my grateful thanks, and those of our Board, to everyone, both inside and outside of Harworth, who is part of, and has supported, our team in achieving another strong year delivering the operational milestones of our strategy. Our success is totally dependent on, and derives from, what you contribute – thank you.



Alastair Lyons
Chair

18 March 2024

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Our business model

INPUTS

Our people
Significant expertise across our central functions and regions.

Our landbank
Over 14,000 acres of development potential.

Our key markets
A portfolio focused on the residential and logistics sectors.

Strategic land

Major developments

Value creation

Acquisition & land assembly

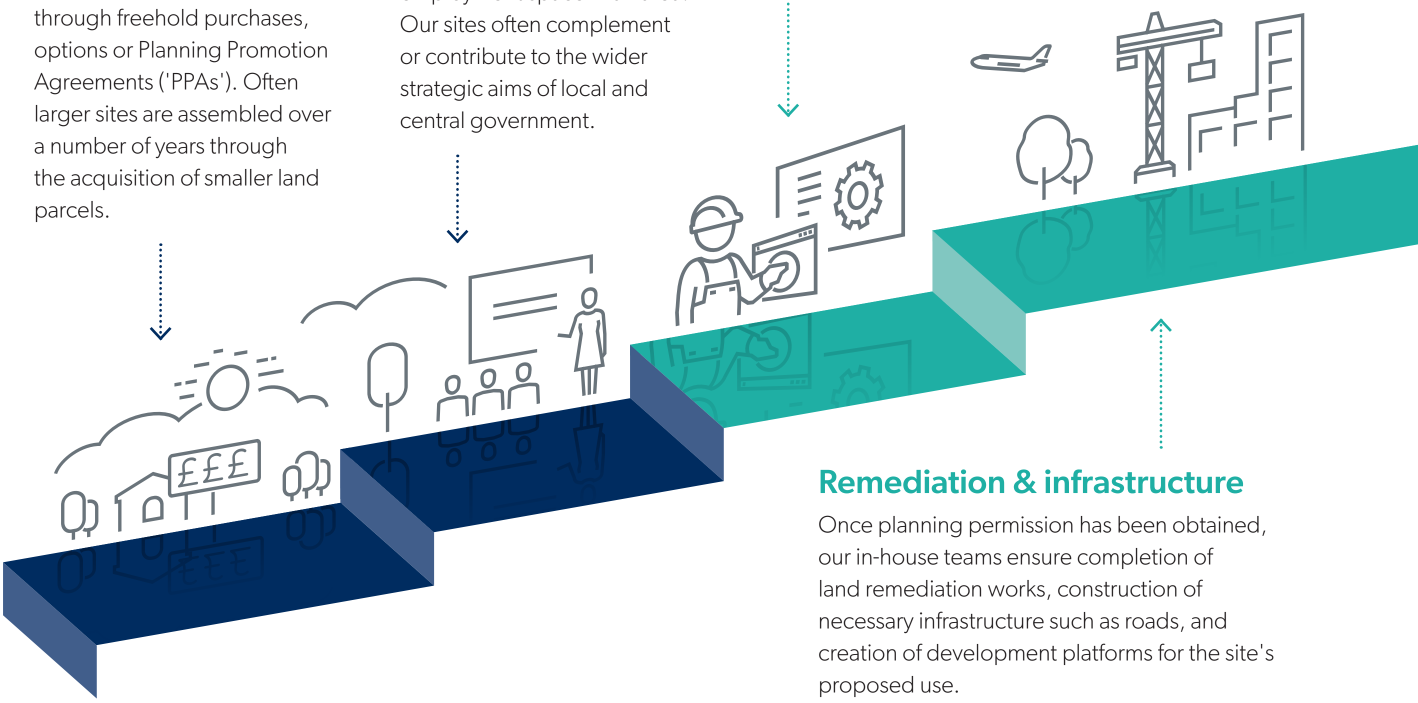
Our acquisition teams work across our regions to identify new sites to add to our portfolio, through freehold purchases, options or Planning Promotion Agreements ('PPAs'). Often larger sites are assembled over a number of years through the acquisition of smaller land parcels.

Masterplanning

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

Planning approval

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



Remediation & infrastructure

Once planning permission has been obtained, our in-house teams ensure completion of land remediation works, construction of necessary infrastructure such as roads, and creation of development platforms for the site's proposed use.

OUTPUTS

Read more about our approach to stakeholders on pages 42 to 47

Our people
A collaborative culture, working on projects with pride and enjoyment

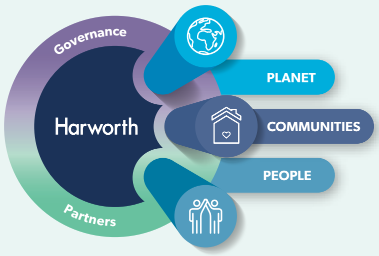
Investors
Strong returns, with a target to reach £1bn of EPRA NDV* by the end of 2027, delivered responsibly

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

Financing
Our strong financial position gives us flexibility and firepower.

The Harworth Way
Delivering on our purpose, with a lasting positive impact.

Read more on pages 70 to 77



Plot sales & direct development

At our residential sites, we either sell serviced plots to housebuilders or enter into forward-funding agreements with selected partners to deliver alternative tenures such as BTR homes and affordable housing.

At our industrial & logistics sites, we sell serviced land to developers and develop buildings ourselves for occupiers and owners.

Read more the case study on on pages 22 and 23

Placemaking

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

Asset management

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

Read more about the case study on pages 20 and 21

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

Customers
Developing high quality products and delivering on our promises

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

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

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Our markets

Harworth's focus markets of residential and industrial & logistics both remain characterised by favourable supply and demand dynamics, and are fundamental to delivering growth in the UK economy.

Industrial & logistics

Demand for industrial & logistics in line with historical levels

Following three record years for take-up of industrial & logistics space, demand fell to a total of 29.1m sq. ft across the market in 2023. This was still 12% above the pre-Covid average, signalling a normalisation of demand levels across the market.

Demand continues to be driven by structural factors, including the growth of online retail, the need for nearshoring and reshoring to ensure supply chain stability, and a demand for more energy efficient and sustainable space.

We continue to directly develop space that meets the growing needs of occupiers, while selling or refurbishing those assets that fall below the criteria for Grade A.

Supply of industrial & logistics space has risen, but remains constrained

The slow down in demand has resulted in a sharp increase in supply, rising by 90% in 2023 compared to the previous year, and reflecting a vacancy rate of 7.15%. The level of speculative completions has meant that the total Grade A supply has increased to 58% in total, the highest level ever recorded. While no region has been immune from rising supply, there remain many markets that still have less than one year of supply, including the West Midlands and Yorkshire, where Harworth is highly active.

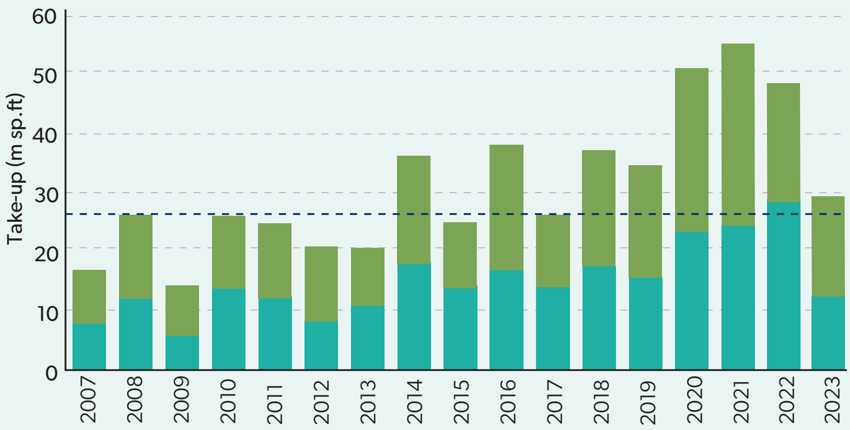
Our regional focus means that many of our markets are still significantly undersupplied, which is supportive of rents and levels of demand. Harworth will continue to focus on regional markets, and manage risk by ensuring a balance between speculative, build-to-suit and pre-let opportunities.

Investment volumes still above pre-pandemic levels

Savills estimates that logistics investment volumes totalled £3.1bn in 2023, below the previous three years but still above pre-pandemic levels. It was a year of two halves, with a subdued market in the first six months giving way to a busier second half. Data from MSCI shows that the industrial sector saw only slight growth in capital values of 0.1% during the year as rental growth of 7.6% was offset by 32bps of average yield shift, albeit a significantly better performance than the prior year (which saw a -18.0% decline). Industrials remained the only major real estate sector to see capital value growth in 2023, with the All Property Index falling -5.6% over the year (an improvement from a -14.2% decline in the prior year). As we enter 2024, there could be increasing activity as a result of expectations of interest rate reductions.

Harworth was active in the market throughout the year, selling £70m of Investment Portfolio assets at prices broadly in line with book values before transaction costs. We will continue to directly develop space and transition our portfolio to Grade A.

Take-up of industrial & logistics space corrects to pre-Covid levels



Source: Savills

Years' worth of supply[1]

0.94 years (West Midlands)	0.77 years (Yorkshire and the North East)	1.13 years (North West)

1 Source: Savills.

Residential

Homebuyer demand began to stabilise towards the end of 2023

For much of the year, homebuyer demand remained subdued, as a result of high mortgage rates, challenging affordability and low consumer confidence. However, sentiment improved in the final quarter of the year, as the prospect of interest rate cuts occurring earlier in 2024 than previously expected led to falling mortgage rates.

This bolstering of demand in the later months meant that UK house prices declined by only -1.8% in 2023 according to Nationwide, a less significant fall than many had expected. This overall figure comprised notable regional variances, with northern England seeing a 1.8% reduction in house prices, while southern England saw a 2.4% decline. Yorkshire & the Humber, where the majority of Harworth's residential major development sites are located, was the best performing region in England, with an annual reduction of just 0.5%.

A more selective approach to acquisitions and development by housebuilders

Reporting from housebuilders during the year suggested a focus on reduced construction volumes and a more selective approach to land acquisitions. Despite this, we saw good levels of demand from a wide range of housebuilders during the year, both national and regional, with many of whom we have long-term relationships. This underscores the differentiated nature of our serviced and, therefore, de-risked land product.

Another factor driving demand for our product is the UK's poorly performing planning system, which is significantly constraining the supply of consented land across the market.

Alternative tenures remain significant growth markets

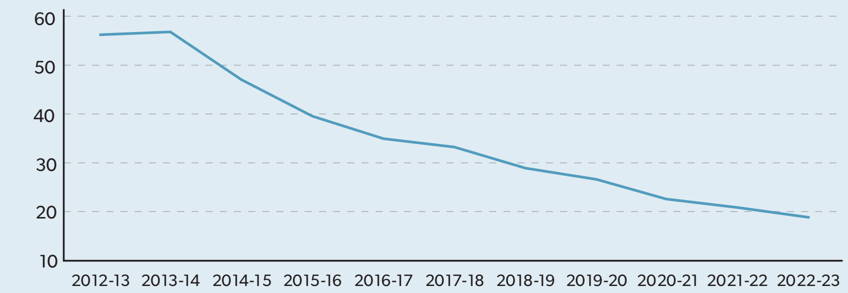
The institutional BTR market has continued to grow in 2023 despite the wider market uncertainty, demonstrating the defensive nature of the product and the acute shortage of rental homes in the UK.

Savills reports that investment volumes in the sector totalled £4.5bn in 2023, the second highest level on record after 2022, when levels were only marginally higher.

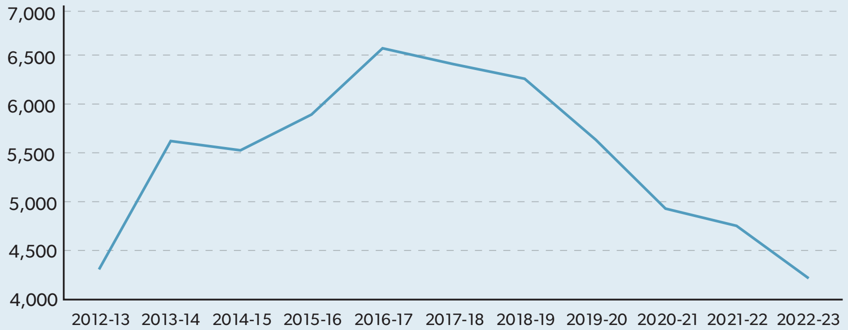
The UK's BTR stock now stands at over 92,000, representing growth of 11% in the last 12 months, with regional markets growing faster than London. Despite this, only 11% of the built stock is single-family and transactions remain focused on multi-family, which have accounted for around 60% of investment during 2023.

Rents in the sector continue to grow, but challenges facing consumers highlight the importance of providing affordable products. Our single-family BTR and affordable housing portfolios of sites are particularly well-positioned to address the acute supply imbalance.

% major planning applications decided within 13-week statutory time limit

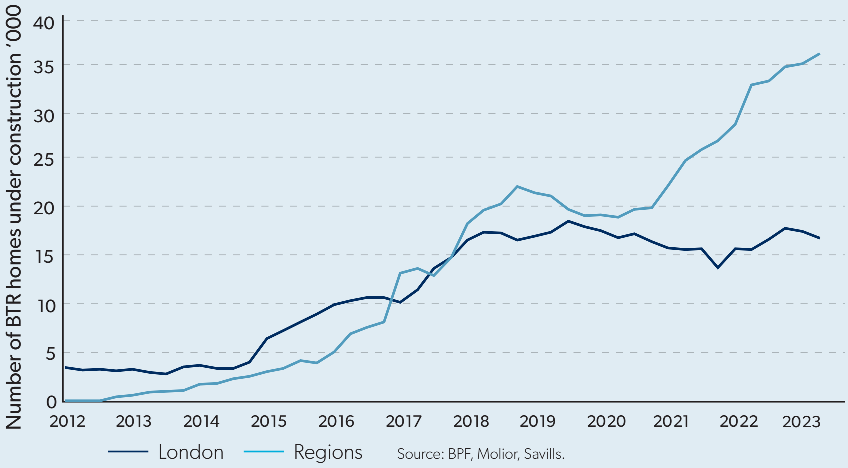


Planning decisions for major residential development sites (10+ homes)



Source: DLUHC. Periods run from 1 April until 31 March the following year.

BTR market in good health, with regional growth outpacing London



Source: BPF, Molior, Savills.

Chief Executive's review

"Despite the unpredictability of the last couple of years, I am as excited about what Harworth can do as a business, and what we can become, as the day that I joined the company."

Lynda Shillaw
Chief Executive

Another strong performance

Harworth delivered another strong performance in 2023 achieving sector-leading results ahead of the MSCI All Property Index, while maintaining a low loan-to-value* of just 4.7% and significant financial liquidity.

We continue to benefit from the unique combination of our extensive landbank and the application of our specialist skillset to develop new market opportunities and realise the highest value from each of our sites. This saw us complete serviced land and property sales at prices broadly in line with book values before transaction costs, achieve lettings ahead of estimated rental values, and progress some exciting acquisitions as we build our future pipeline and continue to move sites through the planning system.

Our markets

Harworth's focus markets of residential and industrial & logistics are characterised by structural undersupply and are fundamental to delivering growth in the UK economy.

Industrial & logistics

In the industrial & logistics sector, demand continues to be driven by structural factors, including the growth of online retail, the need for nearshoring and reshoring to ensure supply chain stability and a demand for more energy efficient and sustainable space. However, softer macroeconomic conditions naturally resulted in occupiers becoming more cautious, and so negotiations in the occupational market became more protracted and deals took longer to complete. This translated into more normalised levels of take-up across the market in 2023, following three record years, albeit Savills estimates that take-up remains 12% above the pre-Covid average.

The lower levels of take-up seen in 2023 have resulted in an increase in supply and higher vacancy rates across the market. While no region has been completely immune from rising supply, the three regions of the UK that continue to have the tightest supply are the East Midlands, West Midlands and Yorkshire. These are the only regions where there remains less than one year's worth of supply and are also where the majority of our industrial & logistics sites are located.

Savills estimates that logistics investment volumes totalled £3.1bn in 2023, which again, despite being below the levels seen in the previous three record years, were above pre-pandemic levels. These transactions were weighted towards the second half of the year, when the macroeconomic backdrop improved. Data from MSCI shows that the industrial sector saw only slight growth in capital values of 0.1% during the year, a significantly better performance than the prior year (which saw a -18.0% decline), as rental growth of 7.6% was offset by 32 bps of average yield shift. Industrials remained the only major real estate sector to see capital value growth in 2023, with capital values for the MSCI All Property Index falling -5.6% over the year (an improvement from a -14.2% decline in the prior year).

Residential

For much of the year, homebuyer demand remained subdued, as a result of high mortgage rates, challenging affordability and low consumer confidence. However, sentiment improved in the final quarter of the year, as the prospect of interest rate cuts occurring earlier in 2024 than previously expected began to impact mortgage rates and buyers adjusted to the prospect of higher rates for longer.

This bolstering of demand in the later months meant that UK house prices declined by only -1.8% in 2023 according to Nationwide, a less significant fall than many had expected. Within this was a notable regional disparity, with northern England seeing a 1.8% reduction in house prices, while southern England saw a 2.4% decline. Yorkshire & the Humber, where many of Harworth's mature residential major development sites are located and which continues to benefit from good homebuyer affordability ratios, was the best performing region in England, with an annual reduction of just -0.5%.

Reporting from housebuilders suggested a focus on reduced construction volumes and a more selective approach to land acquisitions. Despite this, we saw good levels of demand throughout the year from a wide range of housebuilders, both national and regional, with many of whom we have long-term relationships. This underscores the differentiated nature of our serviced and, therefore, de-risked land product.

The institutional BTR market continued to grow in 2023 despite the wider market uncertainty, demonstrating the defensive nature of the product and the acute shortage of rental homes in the UK. Savills reports that investment volumes in the sector totalled £4.5bn in 2023, the second highest level on record after 2022, when levels were only marginally higher. A recent Cushman & Wakefield report predicted the figure could rise to as much as £8bn in 2024.

The UK's BTR stock now stands at over 92,000, representing growth of 11% in the last 12 months, with regional markets growing faster than London. Despite this, only 11% of the built stock is single-family and transactions remain focused on multi-family, which accounted for around 60% of investment over the last 12 months. Rents in the sector continue to grow, but challenges facing consumers highlight the importance of providing affordable products. Our single-family BTR and affordable housing portfolios of sites are particularly well-positioned to address this acute supply imbalance.

In the investment markets, Savills data shows that UK greenfield residential land values declined -6.5% over the course of 2023, albeit a number of indices point to declines levelling off in the final quarter. Greenfield residential land values remain more resilient than those for urban land (which have declined -8.4%) and again there are significant regional variations, with land values in the North of England and the East Midlands remaining more robust due to a resilient housing market, shortage of sites and stronger competition.

We developed 193,000 sq. ft of speculative space during the year, across our Gateway 36 site in Barnsley and the AMP in Rotherham.

Operational performance

Our strategy sets out a clear road map for our ambition to grow EPRA NDV* to £1bn by the end of 2027 and we remain confident in achieving this goal. It aims to accelerate the delivery of our sites and achieve our NZC ambitions, drawing on our highly specialist expertise and extensive land bank. The table below shows our progress to date against the four key growth drivers of this strategy.

Growth driver	2021	2022	Progress in 2023	Ambition by the end of 2027
Increasing direct development of industrial & logistics stock	51,000 sq. ft developed	432,000 sq. ft developed	193,000 sq. ft developed during the year and 208,000 sq. ft started or ready to start in 2024. Enabling works underway for 1.5m sq. ft of further development.	800,000 sq. ft completed on average per annum
Accelerating sales and broadening the range of our residential products	1,411 plots sold	2,236 plots sold	1,170 plots sold	2,000 plots sold on average per annum
Scaling up through land acquisitions and promotion activities	Land supply of 12 to 15 years		Maintained 12 to 15-year land supply through acquisitions representing 1.8m sq. ft and 809 plots	Maintain a land supply of 12 to 15 years
Repositioning our Investment Portfolio to modern Grade A	11% Grade A at year-end	18% Grade A at year-end	37% Grade A at year-end	100% of the Investment Portfolio to be Grade A

Chief Executive's review continued

These are our two most mature industrial & logistics sites and are highly sought-after locations, having also benefitted from becoming part of the UK's first government-designated Investment Zone this year, and we are pleased with their letting progress to date. As previously indicated, our focus for 2023 has been on securing pre-let and build-to-suit direct development opportunities, and we are now progressing three of these at the AMP across a total of 187,000 sq. ft, including the development of a new UK head office for Danieli, one of the world's largest suppliers to the steel industry. In addition to this, 21,000 sq. ft has commenced at Olive Lane a new mixed-use heart of the community at our Waverley development with a medical centre, pharmacy, convenience retail and leisure.

As we enter 2024, our focus will be on completing construction currently underway and starting new developments. At year-end, enabling works were underway for 1.5m sq. ft of development, at Chatterley Valley in Staffordshire, our Droitwich site in Worcestershire, and the next phase of Gateway 36 with works to commence shortly at our Wingates site in Bolton. Vertical developments that we expect to be on site with this year plus recently completed vacant space are expected to add £5.1m annualised rent, of which £1.9m is already let, exchanged or in heads of terms.

Against a challenging backdrop for housebuilders, we completed 1,170 residential plot sales during the year, transacting at prices that were broadly in line with book values before transaction costs. While the number of plots sold was lower than the extraordinarily high level seen in 2022, when we brought forward transactions to take advantage of buoyant market conditions, the average number of plots sold across 2023 and 2022 was still 21% higher than the level seen in 2021. We saw a wide range of housebuilders active in the market during the year and completed our first transactions with Homes by Honey and Forge New Homes, bringing our total housebuilders transacted with to date to 23 This figure demonstrates the depth of demand for our de-risked serviced land product, and the strong relationships with housebuilders that our teams cultivate.

It has been a very busy year for our mixed tenure team as we broadened the range of residential products on offer across our sites. We signed our first forward-funding agreement with a registered provider, Great Places, as part of our affordable housing portfolio of sites, and signed a further agreement with them after year end, for the delivery of 155 homes in total, with several other transactions in the pipeline. For our single-family BTR product, timelines have become protracted, owing mainly to delays in receiving planning approvals. Having said this, approvals are now in place for 45% of sites and we are progressing towards exchange with selected partners. Also of note was the launch of our NZC homes product, Coze Homes, which we will be directly developing in small-scale trials across two of our sites. This product has significant potential not only to improve the vibrancy of our communities and unlock challenging development parcels, but to develop our understanding of the technical requirements of this relatively immature market.

Looking at land acquisitions and promotion, we further strengthened our pipeline with the addition of 1.8m sq. ft of industrial & logistics space and 809 residential plots during the year through a combination of freehold acquisitions, option agreements and Planning Promotion Agreements ('PPAs'). We also received planning approvals for 397 residential units and 1.1m sq. ft of industrial & logistics space, most notably at our 0.8m sq. ft Skelton Grange site in Leeds. Securing this approval on a former power station site we acquired back in 2014 demonstrates Harworth's unique skillset in identifying and acquiring complex brownfield sites, devising a masterplan that realises their potential, and then progressing this through the planning system to unlock value. This development will meet the growing demand for high-specification and well-connected Grade A industrial space across West Yorkshire, in turn supporting jobs and investment for the region.

Our ambition to transition the Investment Portfolio to fully Grade A also took a major step forward during the year, and now stands at 37% Grade A, compared to 18% just a year ago. This was driven by a significant sales programme of assets where we had maximised value through asset management or development initiatives, as well as through our development and letting of new space. Sales totalled £70.0m in the year, and all were broadly in line with book values before transaction costs - an excellent result given the wider challenges in the investment market during the first half of the year in particular. Leasing activity added £2.1m of annualised rent to the Investment Portfolio during the year and was achieved at significant premiums to estimated rental values and previous passing rents.

Financial performance

Our management actions undertaken on development sites to unlock high value uses, alongside positive progress on planning applications, were the key driver of a 4.4% increase in EPRA NDV* during the year to 205.1p per share (2022: 196.5p). This resulted in a Total Return* for the year of 5.1% (2022: 0.1%), which we consider to be a strong performance given conditions in our markets for much of the year. Statutory net asset value* was £637.7m (2022: £602.7m).

Sales of serviced land and property, in addition to income from rent, royalties and fees, resulted in Group revenue of £72.4m (2022: £166.7m). The reduction in the year reflected reduced rental income following our successful sales programme in the Investment Portfolio and lower development property sales resulting from us bringing forward residential sales to 2022 to take advantage of market conditions, as well as the prior year figures including the £54m sale of the Kellingley development site.

The Board is proposing a final dividend of 1.022p per share, bringing the total dividend per share for 2023 to 1.466p, representing 10% underlying growth from 2022, in line with our dividend policy.

We continue to maintain a strong balance sheet and financial position, with significant available liquidity of £192.2m as at 31 December 2023 (31 December 2022: £175.6m) and no refinancing requirement under our core facilities until 2027. Our LTV* at year-end was 4.7% (31 December 2022: 6.6%), affording us a high degree of flexibility and resilience as we pursue our strategy.

The Harworth Way

As a specialist regenerator and placemaker, a commitment to our communities, our people and our planet is at the heart of everything we do. Critical to this is having a lasting positive impact on the communities we serve, supporting new homes, jobs and infrastructure. The Harworth Way is our framework for ensuring this happens.

During the year we published our NZC pathway, outlining in detail for the first time the steps that we will take to address the challenges and opportunities that decarbonisation brings for Harworth. It provides clear and practical guidance for the business, and a framework through which progress can be measured as we move towards our target to be operationally NZC by 2030 and NZC for all emissions by 2040. We have made great early progress, having reduced our operational emissions by 24% this year through the use of alternative fuels in our site preparation works, procuring green electricity and the increased use of electric vehicles. We also began a woodland planting scheme in Chevington in Northumberland, which will significantly boost our sequestration capabilities.

It has been a very active year in delivering for our communities, and I was delighted that we have been able to progress several initiatives to deliver schools, green space and other amenities across our developments. We opened 71 acres of managed green space, including a new 50-acre country park at our Cadley Park development in Derbyshire, which benefits from new purpose-built footpaths and cycleways, a picnic area and community orchard, as well as new habitats to protect and promote local wildlife. We also commenced construction of a new forest school at South East Coalville as well as Olive Lane, a mixed-use development comprising convenience retail, restaurants and new community spaces in the heart of Waverley.

Alongside this year's Annual Report we will be releasing our Communities Framework, which explains our approach to delivering social value through our regeneration approach, both in the communities we serve and in wider society. This approach ranges from creating sustainable communities, preserving heritage and promoting healthier lifestyles through to growing regional economies and supporting jobs. This year we once again commissioned Ekosgen, an independent economic research consultancy, to appraise the social and economic benefits of the regeneration and development Harworth has delivered and plans to deliver, and it found that our portfolio has the potential to deliver £4.8bn of GVA, support up to 76,500 jobs and generate up to £82m in business rates, underscoring the huge potential of our activities to benefit society.

Our people

Harworth's ambition is to be an employer of choice, providing an inspiring place to work and attracting and retaining the best talent. Critical to our success is our culture and the engagement, wellbeing and diversity of our people. During the year, we progressed a wide-ranging transformation programme that is designed to make sure that our processes, systems and people skills keep pace with the rapid growth of our business as we work towards our £1bn ambition.

Our culture is formed by everyone at Harworth. We know through employee feedback that Harworth has a positive culture. As we grow, we want to be proactive in defining how it needs to evolve whilst preserving all that is great about Harworth. For this reason, during 2023 we reviewed and started to refresh our vision, values, and behavioural competency framework, which will be embedded during 2024.

Another area of focus has been on individual and professional development, which has led to the creation of the 'Harworth Academy'. Under this banner, we have developed the formal training and development options we want to make available to our employees, in alignment with their career experience and history and role level and requirements. In time, there may be minimum levels of "hard and soft skills" training and development which colleagues at varying stages of their careers will need to pass through before being considered ready for progression and promotion.

Outlook

Macroeconomic conditions look set to improve modestly in the year ahead, with inflationary pressures easing and the prospect of interest rate cuts from the middle of the year. However, uncertainty still remains for businesses and consumers, and this is likely to weigh on sentiment for some time to come. For the industrial & logistics market, the structural drivers of demand remain largely intact and supply in our regions is relatively constrained: in the year ahead we will continue to derisk our development by focusing on pre-let and build-to-suit opportunities and land parcel sales. For residential, while affordability challenges will weigh on house buyer demand for some time yet, the supply of development-ready land will remain constrained, and we are confident that our consented, de-risked serviced land will appeal to a wide range of housebuilders. At the same time, our increasingly diversified range of residential products will provide us with exposure to markets that continue to grow regardless of where the cycle is.

Harworth is a long-term through-the-cycle business – we have to be as a regenerator of large, complex sites that may take a decade or more to move from inception to completion. Our self-propelled growth strategy, underpinned by our significant landbank and skillset in being able to unlock value from it, is what sets Harworth apart. Since 2021, when we stepped into our strategy, we have not only been focused on growing our business and accelerating delivery across our sites, but have invested in our planning teams to progress more applications through the system, our development teams to ramp up delivery and our acquisitions teams to build our landbank.

As we move into year three of delivering our strategy, we have pump primed the consented capacity of our industrial & logistics portfolio and have a consented pipeline of 6.1m sq. ft that will deliver c.£0.8bn of GDV by 2028, while also creating the financial headroom to crystallise this. We are also exploring other use classes, including the development of data centres and energy assets on our industrial & logistics sites and senior living opportunities on our residential sites. Together these factors will ensure we realise the full potential of our 37.7m sq ft industrial & logistics portfolio, which has an estimated gross development value of c.£5bn, and our 27,190 plot residential pipeline, while delivering for our people, our planet and our communities.

Despite the unpredictability of the last couple of years, which has delivered more than a few curve balls for the real estate sector, I am as excited about what Harworth can do as a business, and what we can become, as the day that I joined the company. In concluding, I would like to say a huge thank you to my colleagues across the business, who have embraced the ambition of our strategy and have worked extremely hard to deliver another strong year of progress, and to our investors who have continued to support what we do. Our robust financial performance and operational progress against a challenging market backdrop are testament to the support, dedication, determination, skills, and teamwork that make us proudly Harworth.

Lynda Shillaw
Chief Executive
18 March 2024

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

Our strategy

Our ambitious growth strategy builds on the skills of our people and the strength of our portfolio to drive growth, maximise returns to investors and grow the business to reach £1bn of EPRA NDV* by the end of 2027.

1 Increasing direct development of industrial & logistics space

We are an experienced developer, having built 2.2m sq. ft of industrial & logistics space since 2015.

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

What we are doing

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

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

Link to KPIs

- Total Return*
- Net asset value*, EPRA NDV per share* and LTV*
- Industrial & logistics space directly developed
- Total industrial & logistics pipeline
- Potential GVA
- Scope 1, Scope 2 and Scope 3 business travel emissions

Link to principal risks

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

2 Accelerating residential sales and broadening our product range

Our residential landbank is significant and has the ability to deliver around 27,000 housing units into the market.

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

What we are doing

Our sites are well-suited to delivering institutional quality mixed tenure products. In recent years we have launched portfolios of land for the development of single-family BTR, affordable housing products, and a small-scale pilot of NZC homes.

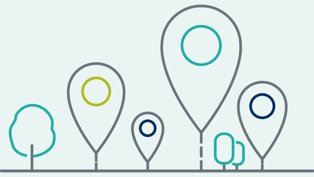
Through a combination of increased plot sales for build-to-sell products and the launch of new mixed tenure products, our ambition is to achieve sales of around 2,000 plots on average per annum by the end of 2027.

Link to KPIs

- Total Return*
- Net asset value*, EPRA NDV per share* and LTV*
- Number of plots sold to housebuilders
- Total residential pipeline
- Potential GVA
- Scope 1, Scope 2 and Scope 3 business travel emissions

Link to principal risks

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



3 Growing our landbank and land promotion activities

Our extensive landbank underpins our ability to deliver our strategy and our purpose.

We take a long-term view to replenishing our landbank, with a focus on acquiring and assembling land through a mixture of freeholds, options, and PPAs, then applying our expertise to unlock value.

What we are doing

We aim to maintain a 12 to 15-year land supply at any time, taking account of our annual direct development volume and land parcel sales ambitions. Organic growth of the pipeline will be supplemented by developing key partnerships to assemble and deliver large-scale regeneration schemes.

Controlling a large landbank with sites at various stages in the development cycle allows us to enhance and smooth returns as well as providing flexibility and allowing us to manage risk.

Link to KPIs

- Total Return*
- Net asset value*, EPRA NDV per share* and LTV*
- Total industrial & logistics pipeline
- Total residential pipeline
- Potential GVA

Link to principal risks

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

4 Repositioning our Investment Portfolio to modern Grade A

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

While historically comprising a number of acquired secondary sites, the portfolio is increasingly focused on Grade A space that we have developed.

What we are doing

We are retaining the majority of the industrial & logistics assets that we directly develop, while disposing of those assets from our existing portfolio where we have maximised value through the completion of asset management initiatives.

This approach will progressively reposition our Investment Portfolio to sustainable, high-quality Grade A assets that meet the needs of modern occupiers, with good access to infrastructure and proximity to urban centres.

Link to KPIs

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

Link to principal risks

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

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

Our strategy in action

Transitioning the Investment Portfolio to 100% Grade A

Selling £70.0m of mature industrial & logistics assets

A key element of our growth strategy is to transition the Investment Portfolio to modern Grade A, by refurbishing and redeveloping existing assets, by retaining more direct development and by disposing of assets where value has already been maximised through asset management and development initiatives. The sales of six mature Investment Portfolio sites were completed during the year for headline sales proceeds totalling £70.0m. These sales were all at prices broadly in line with book values before selling costs, and helped to improve the specification of the remaining portfolio.

94%

of disposed floorspace had an EPC rating of C or lower

Developing new Grade A space and progressing lettings

In January, we completed 110,000 sq. ft of new Grade A space at Gateway 36 in Barnsley, as part of the development's second phase.

The units were built in line with Harworth's commercial building specification, achieving a rating of BREEAM "Very Good" and benefitting from the installation of solar PV panels, with the ability for the occupier to increase this to full roof coverage. The wider scheme includes 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.

In January 2023, a unit was let on a 10-year lease to lifestyle fashion brand Lucy & Yak. In early 2024, a second unit was let to retailer Dunelm, with a lease commencement date of 31 December 2023.

Chris Renwick
Co-founder and CEO, Lucy & Yak

"This is an exciting milestone for Lucy and Yak Ltd as the company continues its mission to build a great business by being good to people, communities and the planet. Lucy was born and raised in Barnsley where her family still live. Moving into this space will allow us to eventually provide over 100 living wage jobs in the local area, which is one of the reasons we do what we do."

Preserving and promoting nature

At Gateway 36, we are working in close co-ordination with the local council to deliver a minimum of 10% biodiversity net gain at the site. This will be delivered through onsite habitat retention and enhancement, and off site provision, as we own a parcel of land next to the site known as Barrow Colliery, where we were able to identify 12.8 acres of space that could benefit from significant enhancement. Initiatives include the creation of new ponds and wet woodlands as well as improvements to areas of existing neutral grasslands and mixed scrub. These measures will bring several biodiversity benefits, and the site has subsequently been identified as a Site of Special Scientific Interest.

12.8 acres

of land identified for biodiversity enhancements

Our strategy in action

Accelerating residential sales and placemaking

Supporting new homes, amenities and green space at South East Coalville, Leicestershire

South East Coalville is Harworth's largest residential major development in the Midlands. The 250-acre site is situated just two miles from Junction 22 of the M1, and has an outline planning consent for the creation of a sustainable new community of more than 2,000 homes.

The development comprises two distinct areas: Hugglescote Grange to the north and Swinfen Vale to the south, both named after surrounding villages. Immediately to the south of the site is Harworth's Bardon Hill development, providing 332,000 sq. ft modern Grade A employment space.

To date, Harworth has sold land parcels for the delivery of 977 homes to six housebuilders and delivered new green space including the planting of over 800 trees.

The next phase of the scheme will see the development of 1,039 new homes, as well as a local centre close to the entrance to the site, where a school will be located, opposite convenience retail and other community amenities.

In September 2023, construction works began for the new forest school at the site, delivered with support from North West Leicestershire District Council and Leicestershire County Council. Designed by award-winning firm Lungfish Architects, the two-form entry school is scheduled to open in 2024, providing 420 places. The new school will make South East Coalville an attractive place to live, supporting sales of future land parcels.

Also in September, we opened a new 21-acre park comprising a riverside corridor with amenity space and several biodiversity enhancement features.

In December 2023, Harworth sold a land parcel to Strata for the construction of up to 184 homes.

2,016

homes to be delivered

Creating sustainable communities & preserving heritage

The school at South East Coalville will be built to a bespoke design based on forest school principles. Originating in Scandinavia, the forest school approach promotes education through play and activity while nurturing creativity through self-activity and investigation. The buildings are intended to complement the largely residential nature of the site, with a contemporary and unique feel that also reflects the National Forest setting.

25.8
hectares of green space in masterplan

30-40
jobs created by new supermarket

5
housebuilders soon to be on site

Keith Merrie
North West Leicestershire District Council Portfolio Holder for Infrastructure

"This part of North West Leicestershire continues to see a lot of growth and development and I am delighted to see the start of work to bring a new forest school to benefit families and residents in the area. Ensuring infrastructure like roads and schools is delivered for any new settlement is vital to securing the future of our towns and villages, so I look forward to seeing the next generation walk through the school doors in September 2024."

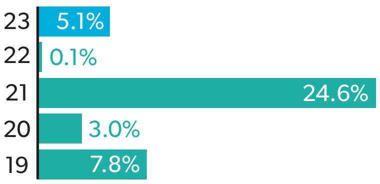
Opening of the new 21-acre park.

Artist's impression of the new forest school.

Key performance indicators

Financial track record

Total Return*



What we measure

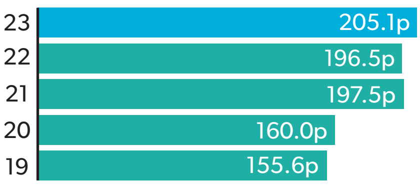
Growth in EPRA NDV* during the year in addition to dividends paid, as a proportion of EPRA NDV* at the beginning of the year.

Performance in 2023

Our total return* of 5.1% was the result of a 4.4% increase in EPRA NDV* during the year, as well as the payment of a 1.466p dividend.

Link to strategy:
1 2 3 4 £

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



What we measure

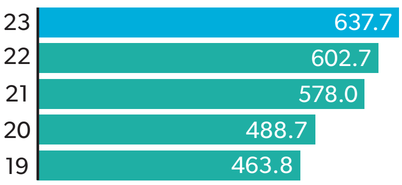
A European Public Real Estate Association ('EPRA') metric that represents a net asset valuation where development property is included at fair value rather than cost and deferred tax, financial instruments and other adjustments as set out in Note 2 and the appendix to the financial statements, are calculated to the full extent of their liability.

Performance in 2023

The increase in valuations was driven by management actions to unlock high value uses from sites and progress planning applications, against a challenging macroeconomic backdrop.

Link to strategy:
1 2 3 4 £

Net asset value (£m)*



What we measure

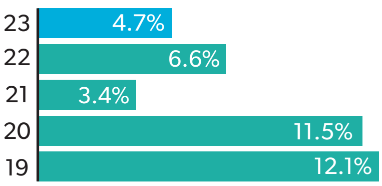
The value of our assets less the value of our liabilities, based on IFRS measures, which excludes the mark-to-market value of development properties.

Performance in 2023

Net asset value* increased as a result of crystalising valuation gains through development property sales during the year.

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.

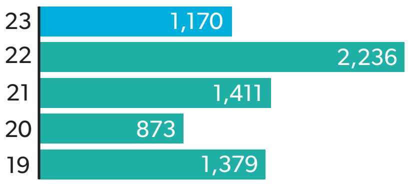
Performance in 2023

Our LTV* decreased during the year and remained well within our target of less than 20% at year-end as we continued to manage carefully our levels of net debt.

Link to strategy:
1 2 3 4 £

Strategic track record

Number of plots sold



What we measure

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

Performance in 2023

While the number of plots sold was a reduction from 2022, when we brought forward transactions to take advantage of buoyant market conditions, the average number of plots sold across 2023 and 2022 was still 21% higher than the level seen in 2021.

Link to strategy:

2 H £

Total residential pipeline (plots)

What we measure

The total number of residential plots that could be delivered from our pipeline including freehold land, options and PPAs.

Performance in 2023

Our residential pipeline declined slightly, but remains well within our ambition to maintain a 12 to 15-year land supply. The reduction was due to a successful year of plot sales, which more than offset new plots added to the pipeline.

Link to strategy:

2 3 £

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

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**

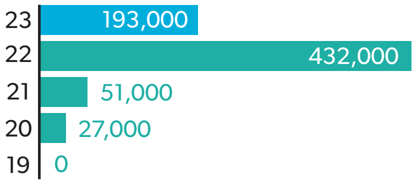
£ **Group targets**

H **The Harworth Way**

Key performance indicators continued

Strategic track record

Industrials & logistics space directly developed (sq. ft)



What we measure

The amount of industrial & logistics space developed by Harworth, either speculatively or on a build-to-suit basis for an end occupier or investor, achieving practical completion during the year.

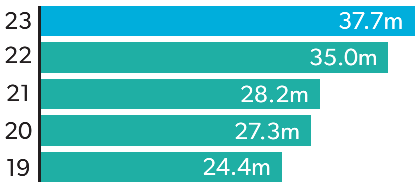
Performance in 2023

Our level of completed direct development reduced from the record amount seen in 2022 due to a focus on pre-let schemes in 2023, but we made significant progress with construction starts and enabling works

Link to strategy:

1 4 £ H

Total industrial & logistics pipeline (sq. ft)



What we measure

The total amount of industrial & logistics space that could be delivered from our landbank, including freehold land, options and PPAs.

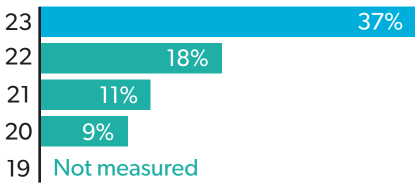
Performance in 2023

Our industrial & logistics pipeline increased due to a number of freehold acquisitions during the year

Link to strategy:

1 3 4 £ H

Proportion of Investment Portfolio that is Grade A



What we measure

The proportion of our Investment Portfolio by area that could be classified as modern Grade A industrial & logistics space. Grade A is a widely-used industry term that is understood to mean 'best in class' space which is new or relatively new, high-specification and in a desirable location, allowing the unit to attract a rent that is above the market average.

Performance in 2023

The proportion of our Investment Portfolio that is Grade A space significantly increased due to a successful disposal programme of mature assets and the direct development of new space which reached practical completion during the year.

Link to strategy:

1 4 H

Environmental, economic and social track record

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

What we measure

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

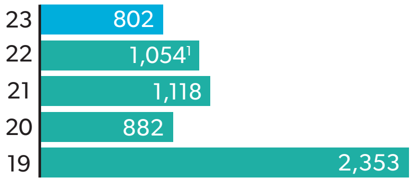
Performance in 2023

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

Link to strategy:

H

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



What we measure

Emissions that are captured by our target to be operationally NZC by 2030. During the year, the scope and availability of our emissions data increased, and therefore figures for 2022 have been restated to allow for a like-for-like comparison with 2023.

Performance in 2023

Our emissions decreased during the year, driven by the use of alternative fuels at our Ironbridge site, and increased use of electric vehicles by staff.

[1] Prior year figure has been restated

Link to strategy:

£ H

Employee pride

What we measure

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

Performance in 2023

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

Link to strategy:

H

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**

£ **Group targets**

H **The Harworth Way**

Operational Review

Industrial & Logistics Land Portfolio

At 31 December 2023, the industrial & logistics pipeline totalled 37.7m sq. ft (31 December 2022: 35.0m sq. ft), of which 6.1m sq. ft was consented (31 December 2022: 5.4m sq. ft), and 10.1m sq. ft was in the planning system awaiting determination (31 December 2022: 5.6m sq. ft). The pipeline was 57% owned freehold, with the remaining 43% controlled via options or PPAs.

Acquisitions and land assembly

During the year, freehold acquisitions added 1.8m sq. ft to the pipeline. These comprised:

- Parkside East, St Helens, Merseyside: a 50-acre site with direct access to Junction 22 of the M6, close to the M62 interchange. The site was allocated in the recently adopted local plan and forms part of a wider regeneration area, supported by the council. Harworth is developing a masterplan for up to 0.8m sq. ft of employment space.
- Markham Moor, Nottinghamshire: a 29-acre site next to the A1, capable of delivering 0.4m sq. ft of industrial & logistics space.
- Additional land parcel acquisitions as part of land assembly works at the Group's existing sites in Rothwell, Northamptonshire and Skelton Grange, Leeds.

Planning

During the year, planning approval was secured for 1.1m sq. ft of industrial & logistics space. This comprised:

- Skelton Grange, Leeds: an outline planning consent to develop 0.8m sq. ft of industrial & logistics space on a 50-acre site adjacent to Junction 44 of the M1. It was formerly the location of the Skelton Grange Power Station and was acquired by Harworth in 2014.
- Former Houghton Main Colliery site, South Yorkshire: outline planning consent for 0.2m sq. ft
- Bardon West, Leicestershire: outline planning consent for 0.1m sq. ft of space, adjacent to the Group's existing Bardon Hill site in Leicestershire.

We also have a significant number of sites progressing through the planning process to secure an allocation in a local plan. The "allocation" of a site within a Local Plan is an important step towards securing a planning approval, as it signifies that a development is acceptable in principle to a local planning authority, and is therefore also a significant valuation driver of sites in the portfolio. During the period, a draft allocation was secured for 0.5m sq. ft of industrial & logistics space at our Bennerley site in Nottinghamshire. Post year end, draft allocations have also been secured for 1.6m sq. ft of space at a site close to Junction 15 of the M1 in Northampton (under option), and for 0.7m sq. ft at our mixed-use site at Diseworth in the East Midlands (freehold and part PPA).

Planning applications for 10.1m sq. ft of industrial & logistics space are currently progressing through the planning system. The largest developments within this comprise:

- Cinderhill, Derbyshire: Proposals for a mixed-use development comprising 1.8m sq. ft of high specification employment space alongside 150 houses and a new junction on the A38 trunk road.
- 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. Plans have been submitted for 1.5m sq. ft of rail-linked industrial & logistics space at the site.

Direct development and placemaking

During the year, practical completion was reached on two direct developments, which were both delivered to Harworth's sustainable commercial building specification, targeting EPC A and BREEAM Excellent, with whole life carbon assessments and renewable energy provisions incorporated into the design:

- Gateway 36, Barnsley: 110,000 sq. ft of speculative industrial & logistics space completed, representing the start of the development's second phase. One unit was let to lifestyle brand Lucy & Yak following completion. A further unit was let to Dunelm after year-end, with a lease commencement date of 31 December 2023.
- AMP, Rotherham: 83,000 sq. ft of speculative industrial & logistics space was developed, marketed as "R-Evolution 4". The development will build on the success of previous similar R-Evolution phases at the AMP, with an updated and enhanced design which provides additional flexibility for occupiers wishing to adapt the space for manufacturing or warehousing. This flexibility will ensure the scheme appeals to a broad range of potential occupiers, and we have already seen significant interest in the space.

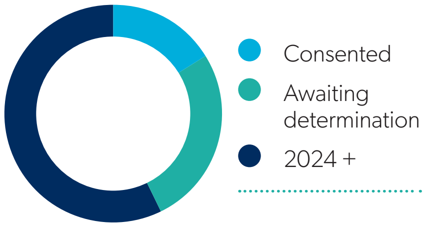
At year-end, a total of 187,000 sq. ft was on site at the AMP, comprising two pre-let units and one build-to-suit unit that will be owned by its occupier. This underscores the location's popularity and the Group's flexible approach to development. In addition to this, 21,000 sq. ft has commenced at Olive Lane, a new mixed-use heart of the communityat our Waverley development with a medical centre, pharmacy, convenience retail and leisure.

During the year, the Group received development management revenue totalling £1.0m (2022: £4.2m) from build-to-suit opportunities.

Land sales

Industrial & logistics land sales totalling £11.5m (2022: £57.0m) were completed during the year, at prices above or in line with book values before transaction costs, with the reduction from the prior year being due to the £54.0m sale of the Group's Kellingley site completing in 2022. These comprised: the sale of a land parcel at South East Coalville for the development of a supermarket; the sale of three land parcels at Riverdale Park, Doncaster; and the sale of land at the AMP to an occupier, on which Harworth will be developing the above-mentioned build-to-suit unit.

Planning Status



Ownership

Residential Land Portfolio

At year-end, the residential pipeline had the potential to deliver 27,190 housing plots (31 December 2022: 29,311), of which 5,296 were consented (31 December 2022: 6,111), and 1,774 were in the planning system awaiting determination (31 December 2022: 1,890). The pipeline was 49% owned freehold, with the remaining 51% subject to PPAs, options or overages.

Acquisitions and land assembly

During the year, a combination of freehold acquisitions, options and PPAs added 809 residential plots to the pipeline. The majority of this related to the signing of a PPA on a parcel of land at Aughton, Rotherham, capable of delivering up to 700 homes. Harworth will work with local stakeholders to bring forward a masterplan in advance of submitting a planning application.

Planning

During the year, planning was approved for 397 homes at Killamarsh in Derbyshire comprising 297 freehold plots and 100 plots promoted via PPA. Post period end, planning was approved for 500 homes at Hale Gate Road in Liverpool, under a PPA agreement, and a draft allocation was secured for our mixed-use site Diseworth in the East Midlands for 2,275 homes (freehold and part PPA).

Plot sales

Completed residential land sales totalled 1,170 plots (2022: 2,236 plots), a decrease from the exceptionally high level of sales seen in the prior year, as the 2022 figure was driven by expediting sales to take advantage of robust housebuilder demand at the time. The average number of plots sold across 2023 and 2022 was still higher than the level seen in 2021. Headline sales totalled £52.1m and were completed at prices broadly in line with book values before transaction costs. The headline sale prices ranged from £30k to £77k per serviced plot (2022: £28k to £105k).

Sales were completed with six different housebuilders, comprising national and regional operators, and including two housebuilders that the Group was transacting with for the first time: Homes by Honey and Forge New Homes. The largest of the disposals was the whole of a site in Killamarsh, Derbyshire, which was sold jointly to both Harron Homes and Homes by Honey. In the first half of 2023, an outline planning consent was secured to develop up to 397 family homes at the site.

The year also saw sales of land subject to PPAs – arrangements whereby Harworth receives a fee from a landowner for securing a planning approval and plot sale on their behalf – generating £0.8m in fees (2022: £5.8m).

Residential products

One of the Group's key strategic objectives is broadening the range of its residential products, and to date it has launched three portfolios of sites to deliver on this:

- Single-family BTR portfolio: approximately 1,000 single-family homes across seven sites. The Group has secured planning consents for 45% of the plots to date
  and is now progressing towards exchange with selected investment and delivery partners.
- Affordable housing portfolio: approximately 550 homes across six sites, that meet the National Planning Policy Framework criteria for affordable housing (social rents, affordable rents, as well as a range of intermediate rent and for-sale products, such as the shared ownership scheme), to be delivered via a forward-funding agreement. Harworth signed its first forward-funding agreement on part of this portfolio in December, with Great Places, for the development of 50 homes at its Riverdale Park site in Doncaster, and after year-end signed a further agreement with Great Places for the development of 105 homes at Simpson Park in Nottinghamshire.
- NZC homes (Coze Homes): a portfolio of approximately 100 homes, which will be directly developed by Harworth as a small-scale pilot at its Prince of Wales site in Pontefract and at Waverley. The pilot is designed to deepen the Group's understanding of the technical requirements of the still relatively immature NZC homes market, which will help to develop improved masterplans for future developments that further embed climate resilience and respond to emerging regulatory and societal needs. The Prince of Wales site has received reserved matters planning consent and construction is expected to begin shortly, with Waverley following later in the year.

Placemaking

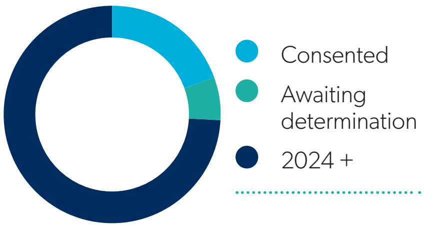
As a master developer, Harworth prides itself on investing in its residential sites to provide enhanced infrastructure, amenities and green spaces. This investment creates a sense of community that improves the wellbeing of residents and enhances the attractiveness of these developments to housebuilders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

- South East Coalville, Leicestershire: construction works began on a new forest school. Designed by award-winning Lungfish Architects, the two-form entry school is scheduled to open in 2024, providing 420 places. The year also saw a land sale to Aldi for the construction of a new supermarket at the site, and the opening of a 21-acre park, comprising a riverside corridor with amenity space and several biodiversity enhancement features.

Operational Review continued

- Waverley, South Yorkshire: a new learn-to-ride cycle track was opened, funded jointly by Harworth and a £45,000 grant from British Cycling's "Places to Ride" programme. The track sits at the heart of Waverley, providing a safe, fun and traffic-free environment for children to learn to ride a bike and progress skills before venturing onto the site's connecting cycle paths and roads. Planning was also approved, and construction started on site, for Olive Lane, a new mixed-use heart of the community with a medical centre, pharmacy and convenience retail and leisure.
- Cadley Park, Derbyshire: a new 50-acre country park was opened, having been developed by Harworth working in close partnership with South Derbyshire District Council as well as the National Forest, RSPB, Derbyshire Wildlife Trust and the local community. The park benefits from new purpose-built footpaths and cycleways, a picnic area and community orchard, as well as new habitats to protect and promote local wildlife. The site also features a memorial pit wheel, commemorating the site's rich mining history.

Planning Status



Ownership

Investment Portfolio

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

As at 31 December 2023, the Investment Portfolio comprised 11 sites covering 2.5m sq. ft (31 December 2022: 19 sites covering 4.0m sq. ft). It delivered £14.1m of annualised rent (31 December 2022: £19.7m), equating to a gross yield of 6.3% (31 December 2022: 7.0%) and a net initial yield of 5.7% (31 December 2022: 6.2%). Annualised rent for the portfolio decreased during the year by 28.4%, driven by property sales which more than offset the addition of new Grade A space to the portfolio and a 13.2% like-for-like increase in rents. Grade A space represented 37% of the portfolio (31 December 2022: 18%).

During the year, 462,000 sq. ft of leasing deals were completed, adding £2.1m (17%) to annualised rent (2022: 722,000 sq. ft, adding £2.1m). Lease renewals and regears were completed on terms that on average represented a 27% uplift to previous passing rents, while new lettings were completed on average at an 10% premium to ERVs.

Across the Investment Portfolio, operational metrics remained robust. The portfolio had a weighted average rent of £5.75 per sq. ft (31 December 2022: £4.69), rent collection currently stands at 98% for the year (2022: 99%). Vacancy was 9.9% at year-end (31 December 2022: 8.3%), reduced to 1.2% when excluding space completed in the preceding 12 months (31 December 2022: 2.7%).

Disposals

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

The sales of six Investment Portfolio sites were completed during the year, for total consideration of £70.0m. After year-end, the Group completed the sale of a site in Flaxby Moor Industrial Estate, Knaresborough, previously occupied by Ilke Homes, for a headline sales price of £13.3m. These sales were all at prices broadly in line with book values before transaction costs.

Natural Resources portfolio

Harworth's Natural Resources portfolio comprises sites used by occupiers for a wide range of energy production and extraction purposes, including wind and solar energy schemes and battery storage. As at 31 December 2023, the portfolio generated £1.8m of annualised gross rent (31 December 2022: £2.1m), reduced following sales in 2022.

We continue to progress our energy & natural capital strategy, with the aim of developing, alongside strategic partners where appropriate, renewable energy generation solutions and other sustainability initiatives such as battery storage, solar, EV charging, multi-fuel hubs and nature recovery on Natural Resources sites. The strategy will have a wider focus on embedding these energy concepts and future-proofing principles across all of Harworth's sites to maximise energy availability and resilience, create economic value and help fulfil the Group's NZC ambitions.

The Harworth Way

In 2022, the Group committed to becoming NZC for Scope 1, Scope 2 and Scope 3 business travel emissions by 2030 and to being NZC for all emissions by 2040. To meet these objectives, the Group has developed a NZC pathway and embedded NZC commitments into a range of workstreams and targets to guide the Group's growth strategy in the development of industrial & logistics and residential sites.

Further information on The Harworth Way and the Group's NZC pathway can be found within the 2023 Annual Report and standalone NZC Pathway Progress Report 2023, which will both be published in April 2024.

The Group will also be publishing its Communities Framework in April 2024, which outlines the steps it takes to embed social value into its developments.

Financial Review

"Our Total Return reflects a strong performance, driven primarily by management actions focused on leveraging the unique attributes of each of our development sites to create opportunities to unlock the use with the greatest value."

Kitty Patmore
Chief Financial Officer

Overview

Our primary metric, Total Return* (the movement in EPRA NDV* plus dividends per share paid in the year expressed as a percentage of opening EPRA NDV per share*), for 2023 was 5.1% (2022: 0.1%). The Total Return* reflected a strong performance, driven primarily by management actions focused on leveraging the unique attributes of each of our development sites to create the opportunities to unlock the use with the greatest value. These focused actions, alongside completing direct development, and securing sales and asset management initiatives across our Investment Portfolio resulted in EPRA NDV* increasing by 4.4% during the year to 205.1p per share (2022: 196.5p). Our 2023 performance reflected continued progress against our strategic objectives, coupled with a strong operational delivery. Alongside this, the structural undersupply within our chosen markets remains, and provides a good foundation for the Group's future growth.

Sales of serviced land and property, in addition to income from rent, royalties and fees, resulted in Group revenue of £72.4m (2022: £166.7m). The reduction in the year reflected reduced rental income following the successful sale of properties from the Investment Portfolio for £70m during the year, accounted for in Other Gains, and lower Development Property sales resulting from the acceleration of residential land sales into 2022, capitalising on the then prevailing favourable residential market conditions, as well as the 2022 sale of the Kellingley development site for £54.0m. Total property sales*, which include proceeds from the sales of investment properties, assets held for sale and overages, totalled £125.9m (2022: £138.5m). Rental income collection has been consistently strong and like for like income increased through management actions, including lettings of completed direct developments at Bardon Hill and Gateway 36, and rent reviews. The £72.4m of revenue also included PPA and development management fees totalling £1.7m (2022: £10m), the reduction year on year was driven by project timelines and a lower volume of managed developments on site. Looking forward, the sales profile is robust with 72.1% of 2024 budgeted sales by value already completed, exchanged or in heads of terms (budgeted sales completed, exchanged or in heads of terms at the same point in 2023: 71.9%).

The Investment Portfolio (£221.4m 2023 (£280.9m 2022)) will vary in size over time as, in line with our strategy, we sell those assets where we have completed our asset management activity and where there is no long-term opportunity in our portfolio, and replace them through the new stock that we build alongside our investment to upgrade existing assets to Grade A.

Financial Review continued

This will mean that, at times, our overhead costs will not be fully covered by income from this portfolio as we reposition the portfolio and build up new sources of income from, for example, development management fees. This is a dynamic that we are now seeing this year; we anticipated this when we set out our ambition to transition the portfolio to Grade A, and our business model and banking facilities provide the flexibility required to execute this strategy effectively.

BNP Paribas and Savills, our independent valuers, completed a full valuation of our portfolio as at 31 December 2023, resulting in full-year revaluation gains* of £64.9m (2022: losses of £15.0m), including the movement in the market value of development properties. These external independent valuations have regard to conditions in the residential and industrial & logistics markets as well as the positive factors resulting from management actions on our sites. Outside the valuation movements, losses on sales were £6.8m (2022: profits of £13.0m). Although sales prices were in line with book values before transaction costs overall, the loss was driven by the impact of selling costs, the recognition of deferred consideration at present value as a result of higher interest rates, and increased levels of estimated future site-wide infrastructure costs allocated to prior period sales, in particular at our Waverley site where increased costs were driven by a change in the site masterplan. Overall, this led to total value gains of £58.1m (2022: £2.0m losses).

The fair value of investment properties increased by £71.4m (2022: £19.7m decrease), which fed through to an underlying operating profit of £54.2m (2022: £44.5m) and profit after tax of £38.0m (2022: £27.8m).

Over the year, the net asset value* of the Group grew to £637.7m (31 December 2022: £602.7m). With EPRA adjustments for development property valuations included, EPRA NDV* at 31 December 2023 increased to £662.9m (31 December 2022: £633.8m) representing a per share increase of 4.4% to 205.1p (31 December 2022: 196.5p).

The Group has declared a final dividend of 1.022p per share, bringing the total dividend per share for 2023 to 1.466p, representing 10% underlying growth from 2022, in line with our dividend policy.

The Group remains well capitalised and, at 31 December 2023, had available liquidity of £192.2m (31 December 2022: £175.6m). Net debt* was £36.4m (31 December 2022: £48.4m) resulting in an LTV* at 31 December 2023 of 4.7% (31 December 2022: 6.6%). At the same date, 35% of the Group's drawn debt was subject to fixed rates (31 December 2022: 34%). We currently do not have interest rate hedging in place against drawings under our Revolving Credit Facility (RCF), although this remains under review.

Presentation of financial information

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

Our key APMs* are:

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

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

Income Statement

	2023				2022			
	Capital Growth £m	**Income Generation £m**	**Central Overheads £m**	**Total £m**	Capital Growth £m	Income Generation £m	Central Overheads £m	Total £m
Revenue	49.0	23.4	–	72.4	135.4	31.3	–	166.7
Cost of sales	(54.0)	(6.0)	–	(60.1)	(74.4)	(8.9)	–	(83.3)
Gross profit	**(5.0)**	**17.4**	**–**	**12.4**	61.0	22.4	–	83.4
Administrative expenses	(5.1)	(3.1)	(19.2)	(27.4)	(4.1)	(1.9)	(16.1)	(22.1)
Other gains/(losses)	65.2	4.3	–	69.4	17.8	(34.5)	–	(16.8)
Other operating expense	–	–	(0.1)	(0.1)	–	–	(0.1)	(0.1)
Operating profit/(loss)	**55.1**	**18.5**	**(19.3)**	**54.2**	74.7	(14.0)	(16.2)	44.5
Share of (loss)/profit of JVs	0.9	0.7	–	1.6	(4.3)	(3.2)	–	(7.5)
Net interest credit/ (expense)	0.5	–	(6.5)	(6.0)	0.1	–	(6.2)	(6.1)
Profit/(loss) before tax	**56.4**	**19.2**	**(25.8)**	**49.8**	70.4	(17.2)	(22.4)	30.9
Tax charge	–	–	(11.9)	(11.9)	–	–	(3.0)	(3.0)
Profit/(loss) after tax	**56.4**	**19.2**	**(37.7)**	**38.0**	70.4	(17.2)	(25.4)	27.8

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

Revenue in the year was £72.4m (2022: £166.7m), of which Capital Growth contributed £49.0m (2022: £135.4m) and Income Generation contributed £23.4m (2022: £31.3m).

Capital Growth revenue, which primarily relates to the sale of development properties, decreased as a result of accelerating sales to take advantage of the positive residential market conditions during the first three quarters of 2022, coupled with the 2022 sale of the Kellingley development site for £54.0m. Capital Growth revenue also includes fees from PPAs and build-to-suit development management, together totalling £1.7m (2022: £10.0m).

Revenue from Income Generation (the Investment Portfolio, Natural Resources and Agricultural Land) mainly comprises property rental and royalty income. Revenue of £23.4m (2022: £31.3m) was lower than last year reflecting the successful sale of certain investment properties during the period for £70.0m. Like-for-like rental income from the Investment Portfolio increased by 13.2% during 2023 following new lettings, lease re-gears and rent reviews on our existing assets; when including the letting of assets that practically completed during the year, the increase achieved was 17.2%. This resulted in annualised rent for the Investment Portfolio of £14.1m at the year-end, (2022: £19.7m), as lettings at the next phase of our Gateway 36 development, combined with lettings, re-gears and rent reviews on existing assets, were offset by income lost through investment property sales during the year.

Cost of sales comprises the inventory cost of development property sales, costs incurred in undertaking build-to-suit development and both the direct and recoverable service charge costs of the Income Generation business. Cost of sales decreased to £60.1m (2022: £83.3m), of which £47.3m related to the inventory cost of development property sales (2022: £67.7m). In the year, we saw an increase in the net realisable value provision on development properties of £4.3m (2022: £2.4m decrease) following the valuation process as at 31 December 2023.

Administrative expenses increased in the year by £5.3m (2022: £2.9m increase). This was due to higher salary expenses, resulting from the full year impact of increased employee numbers recruited during 2022 as we stepped into our strategy and set up key teams to deliver future value creation, inflationary cost pressures and costs incurred as part of progressing strategic objectives.

Headcount was increased at a slower rate during 2023. The nature of long-term sites can mean that transactions, while progressing, span an accounting year end, resulting in the associated revenue not always fitting neatly into a financial year. The strong EPRA NDV* growth shows the actions of the teams creating value as they work on sites and progress transactions to a conclusion. Administrative expenses expressed as a percentage of operating profit excluding administrative expenses was broadly in line with the previous year at 34% (2022: 33%).

Other gains comprised a £71.1m combined net increase (2022: £19.9m net decrease) in the fair value of investment properties and assets held for sale ('AHFS') less the loss on sale of investment properties, AHFS and overages of £1.7m driven primarily by transaction costs (2022: profit £3.2m).

Joint venture profits of £1.6m (2022: £7.5m losses) were the result of an increase in the property valuations at Gateway 45 and net rental income at Multiply Logistics North. Value gains/(losses) on a non-statutory basis are outlined below.

Financial Review continued

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 full description and reconciliation between statutory and non-statutory value gains can be found in Note 2 and the appendix to the consolidated financial statements.

£m		2023			2022			31 Dec 2023	31 Dec 2022
	Category	Profit/(loss) on sale	Revaluation gains/(losses)	Total	Profit/(loss) on sale	Revaluation gains/(losses)	Total	Total valuation	Total valuation
Capital Growth									
Residential Major Developments	Development	**(5.4)**	**(9.0)**	**(14.4)**	11.6	2.2	13.8	**210.5**	228.1
Industrial & logistics Major Developments	Mixed	**0.1**	**43.1**	**43.2**	(2.0)	(3.4)	(5.4)	**136.0**	68.2
Residential Strategic Land	Investment	**(0.1)**	**6.1**	**6.0**	0.4	39.8	40.2	**51.6**	51.4
Industrial & logistics Strategic Land	Investment	**(0.1)**	**18.4**	**18.3**	(0.2)	(12.7)	(12.9)	**105.9**	82.2
Income Generation									
Investment Portfolio	Investment	**(1.4)**	**6.2**	**4.8**	–	(41.0)	(41.0)	**221.5**	280.9
Natural Resources	Investment	**0.1**	**–**	**0.1**	3.2	(0.2)	3.0	**21.6**	20.3
Agricultural Land & other	Investment	**–**	**0.1**	**0.1**	–	0.3	0.3	**21.1**	5.7
Total		**(6.8)**	**64.9**	**58.1**	13.0	(15.0)	(2.0)	**768.1**	736.8

Notes: There are some minor differences on some totals due to roundings. Profit/(loss) on sale includes the impact of transaction fees incurred.

Loss on sale of £6.8m (2022: £13.0m profit) reflected sales broadly in line with book value before transaction costs, the impact of discounting deferred consideration at present value as a result of higher interest rates, and retentions not recognised on completion, coupled with higher levels of estimated future site-wide infrastructure costs allocated to prior period sales, in particular at our Waverley site where increased costs were driven by a change in the site masterplan. Revaluation gains* were £64.9m (2022: 15.0m losses) and are outlined in the table below.

	2023 £m	2022 £m
Increase/(decrease) in fair value of investment properties	**71.4**	(19.7)
(Decrease) in value of assets held for sale	**(0.3)**	(0.2)
Movement in net realisable value provision on development properties	**(6.2)**	(2.0)
Contribution to statutory operating profit	**64.9**	(22.0)
Share of profit/(loss) of joint ventures	**1.6**	(7.5)
Unrealised (losses)/gains on development properties and overages[1]	**(1.6)**	14.5
Total non-statutory revaluation gains/(losses)*	**64.9**	(15.0)

1 There are minor differences on some totals due to roundings.

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

- Industrial & logistics:
  - Across Major Developments and Strategic Land, there were value gains relating to planning progress and unlocking high value uses at Skelton Grange, Ansty, Bennerley and Wingates.
  - The industrials & logistics market saw transaction volumes fall back in line with the pre-Covid average. MSCI reported 0.1% capital value growth which was driven by rental growth of 7.6% offset by 32bps average outward yield shift.
  - These market dynamics affected our industrial & logistics Major Development sites, Strategic Land sites and the Investment Portfolio. For development sites, costs of construction also increased over the year.
  - Investment Portfolio property yields moved in line with the market but our management actions securing new leases, renewals and rent reviews resulted in the net initial yield moving only 50 bps to 5.7% from 6.2% as at 31 December 2022.
- Residential:
  - The residential market saw house prices decline 1.8% over the year. Housebuilders reported that they were scaling back land acquisitions although, with a planning system which continues to be slow, short term and serviced land remained in demand.
  - Residential land sales on our Major Development sites continued to demonstrate demand for our serviced land product and underpin valuations.
  - Costs increased during the year and this was reflected in forward cost plans on Major Development sites.
- Natural Resources: valuations remained broadly stable with minor valuation declines in the waste and recycling portfolio.
- Agricultural Land: we experienced a small valuation increase as a result of improving agricultural land prices.

The net realisable value provision on development properties as at 31 December 2023 was £14.1m (31 December 2022: £9.8m). This provision is held to reduce the value of nine (31 December 2022: 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 2023. 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 revenue from property sales* in the year of £125.9m (2022: £138.5m), achieving a total overall loss on sale of £6.8m (2022: profit £13.0m). Revenue from sales comprised residential plot sales of £44.1m (2022: £69.5m), industrial & logistics land sales of £11.5m (2022: £57.0m), sales of investment portfolio properties of £70.0m (2022: £12.0m) and receipt of overages of £0.3m (2022: £nil).

Cash proceeds from sales in the year were £132.0m (2022: £131.2m) as shown in the table below:

	2023 £m	2022 £m
Total property sales*	**125.9**	138.5
Less deferred consideration on sales in the year	**(21.9)**	(28.5)
Add receipt of deferred consideration from sales in prior years	**28.0**	21.2
Total cash proceeds	**132.0**	131.2

Tax

The income statement charge for taxation for the year was £11.8m (2022: £3.0m), which comprised a current year tax charge of £5.8m (2022: £21.8m charge) and a deferred tax charge of £6.0m (2022: £18.7m credit).

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

At 31 December 2023, the Group had deferred tax liabilities of £30.6m (31 December 2022: £25.9m) and deferred tax assets of £0.5m (31 December 2022: £1.8m). The net deferred tax liability was £30.1m (31 December 2022: £24.1m).

Financial Review continued

Basic earnings per share and dividends

Basic earnings per share for the year increased to 11.8p (2022: 8.6p) reflecting the increase in the valuation of investment properties in 2023, compared to a reduction in 2022, offset by lower development property sales having taken advantage of market conditions in the first three quarters of 2022, coupled with reduced rental income following the successful sale of investment property during 2023.

In addition to the interim dividend of 0.444p, the Board has declared a final dividend of 1.022p (2022: 0.929p) per share to be paid, bringing the total dividend for the year to 1.466p (2022: 1.333p) per share. The recommended 2023 final dividend and 2023 total dividend represent a 10% increase in line with our dividend policy.

Property categorisation

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

As at 31 December 2023, the balance sheet value of all our development properties was £250.0m (2022: £205.0m) and their independent valuation by BNP Paribas was £274.0m, reflecting a £24.0m 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 2023 £m	31 Dec 2022 £m
Properties[1]	**734.8**	695.4
Cash	**27.2**	11.6
Trade and other receivables	**48.6**	60.7
Other assets	**13.8**	11.8
Total assets	**824.4**	779.5
Gross borrowings	**(63.6)**	(60.0)
Deferred tax liability	**(30.1)**	(24.1)
Derivative financial instruments	**–**	–
Other liabilities	**(93.0)**	(92.7)
Statutory net assets	**637.7**	602.7
Mark to market value adjustment on development properties and overages less notional deferred tax*	**25.2**	31.2
EPRA NDV*	**662.9**	633.8
Number of shares in issue less Employee Benefit Trust & Equiniti Share Plan Trustees Limited-held shares	**323,154,373**	322,612,685
EPRA NDV per share*	**205.1p**	196.5p

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

EPRA NDV* at 31 December 2023 was £662.9m (31 December 2022: £633.8m), which includes the mark to market adjustment on the value of the development properties and overages. The total Portfolio Value* at 31 December 2023 was £768.2m, an increase of £31.4m from 31 December 2022 (£736.8m). The Group's share of gains from joint ventures of £1.6m (2022: £7.5m losses) resulted in investments in joint ventures increasing to £30.7m (31 December 2022: £29.8m). Trade and other receivables include deferred consideration on sales as set out previously. At 31 December 2023, deferred consideration of £28.1m (31 December 2022: £34.6m) was outstanding, of which 56.1% is due within one year.

The table below sets out our top 10 sites by value, which represent 51% of our total portfolio, split according to their categorisation, including currently consented residential plots and commercial space:

Site	Site type	Categorisation in balance sheet	Region	Progress to date
Benthall Grange, Ironbridge	Major Development	Investment	Midlands	1,000 residential units consented, land sold representing 110 units
Skelton Grange	Major Development	Development	Yorkshire & Central	0.8m sq ft of industrial & logistics space consented, 0.3m sq. ft awaiting determination
South East Coalville	Major Development	Development	Midlands	2,016 residential units consented, land sold representing 977 units
Bardon Hill	Investment Portfolio	Investment	Midlands	Fully let
Nufarm	Investment Portfolio	Investment	Yorkshire & Central	–
Waverley AMP	Investment Portfolio	Investment	Yorkshire & Central	2.1m sq. ft of industrial & logistics space consented, 1.7m built or sold
Ansty[1]	Strategic Land	Investment	Midlands	Proposed industrial & logistics site, planning now submitted
Knowsley	Investment Portfolio	Investment	North West	–
Wingates	Major Development	Development	North West	Up to 1.0m sq. ft of industrial & logistics space consented and a further 1.5m sq. ft planned. Enabling works to commence shortly.
Simpson Park	Major Development	Development	Yorkshire & Central	1,615 residential units consented, land sold representing 629 units

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

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, with 2023 providing total property sales broadly in line with 2022.

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

The Group enters into development and infrastructure loans alongside its RCF to support its growth strategy.

Debt facilities

The Group has a £200m RCF, together with a £40m uncommitted accordion option, which was entered into in 2022. The RCF is provided by NatWest, Santander and HSBC and is aligned to the Group's strategy, providing significant liquidity and flexibility to enable us to pursue our strategic objectives. The interest rate on the RCF is based on a loan-to-value ratchet mechanism with a margin payable above SONIA in the range of 2.25% to 2.50%. The Group has no refinancing requirements under its core facilities until 2027.

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

Financial Review continued

The Group had borrowings and loans of £63.6m at 31 December 2023 (2022: £60.0m), being the RCF drawn balance (net of capitalised loan fees) of £33.8m (2022: £34.6m) and infrastructure or direct development loans (net of capitalised loan fees) of £29.7m (2022: £25.4m).The Group's cash balances at 31 December 2023 were £27.2m (2022: £11.6m) reflecting sales activity during December 2023. The resulting net debt* was £36.4m (2022: £48.4m).

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

	2023 £m	2022 £m
Opening net debt* as at 1 January	**(48.4)**	(25.7)
Cash inflow from operations	**17.4**	58.9
Property expenditure and acquisitions	**(54.9)**	(66.6)
Disposal of investment property, AHFS and overages	**69.6**	14.2
Investments in joint ventures	**0.7**	(1.2)
Interest and loan arrangement fees	**(4.5)**	(6.0)
Dividends paid	**(4.4)**	(4.0)
Tax paid	**(10.2)**	(17.7)
Other cash and non-cash movements	**(1.7)**	(0.3)
Closing net debt* as at 31 December	**(36.4)**	(48.4)

The weighted average cost of debt, using an end of month average 2023 balance and 31 December 2023 rates, was 6.88% with a 0.9% non-utilisation fee on undrawn RCF amounts (2022: 5.52% with a 0.9% non-utilisation fee). The weighted average term of drawn debt is now 2.2 years (31 December 2022: 3.2 years).

The Group's hedging strategy to manage its exposure to interest rate risk is to hedge the lower of around half its average debt during the year or its net debt* balance at year-end. At 31 December 2023, 35% (31 December 2022: 34%) of the Group's drawn debt, reflecting 62% (31 December 2022: 44%) of net debt*, was subject to fixed rate interest rates with no hedging instruments in place on the remaining floating rate debt. Projected drawn debt and hedging requirements remain under active review with any new hedging to be aligned to future net debt requirements.

As at 31 December 2023, the Group's gross LTV* was 8.3% (31 December 2022: 8.1%) and its net LTV* was 4.7% (31 December 2022: 6.6%). If gearing is assessed against the value of the core income generation portfolio (the Investment Portfolio and Natural Resources portfolio) only, this equates to a gross loan to core income generation portfolio value* of 27.9% (31 December 2022: 26.1%) and a net loan to core income generation portfolio value* of 15.9% (31 December 2022: 21.0%). Under the RCF, the Group could withstand a material fall in portfolio value, property sales or rental income before reaching covenant levels.

At 31 December 2023, undrawn capacity under the RCF was £165m (31 December 2022: £164.0m). Going forwards the RCF, alongside selected use of development and infrastructure loans where appropriate, will continue to provide the Group with sufficient liquidity to execute our growth strategy.

Kitty Patmore
Chief Financial Officer
18 March 2024

* Harworth discloses both statutory and alternative performance measures ('APMs'). A full description of these is set out in Note 2 to the financial statements with a reconciliation between statutory measures and APMs set out in the appendix 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 144 to 145).

The Board conducted a review for a period of five years ending 31 December 2028. 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 & logistics buildings while supporting the transition to NZC. 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 2028;
- rental income from income-producing industrial properties which, at 31 December 2023, had a vacancy rate of 9.9% at year-end (reduced to 1.2% when excluding space completed in the preceding 12 months), a WAULT of 12.9 years and a rent collection of 98%; and
- development and investment management, planning promotion and investment fees.

Regular income from the income-producing portfolio with low vacancy rates helps 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 (through master-planning and planning promotion). While the market as a whole has been impacted by higher interest rates and low growth over 2023, the residential market has a fundamental insufficient supply of housing and sales continued during 2023. Over this time, the industrial & logistics market has seen resilient occupier demand and increasing rents. Having teams in Yorkshire, the Midlands and North-West balances the Group's exposure to any one region.

Net debt* at year end of £36.4m represented a 4.7% net loan to portfolio value*. The Group has a £200m RCF in place with a £40m uncommitted accordion option, provided by NatWest, Santander and HSBC; this facility provides funding with which to execute the Group's strategy alongside site-specific loans. The RCF is assumed to be increased to £300m on similar terms when it matures in 2027, reflecting the anticipated growth in the assets and activities of the Group towards the end of the five-year period.

Principal risks and uncertainties

Reporting on the Group's viability requires the Directors to consider those principal risks that could impair the solvency and liquidity of the Group. Over the last 12 months, the Board has kept the Group's principal risks under regular review and updated them to reflect the macro-economic environment as well as the strategic progress of the Group. The principal risks and uncertainties that the Board considers could impair solvency and liquidity relate to: market assumptions; income generation variability; and planning promotion risk. Principally, these fall within the Markets, Project Delivery, Finance, Sustainability and People sub-categories of risk identified in the Effectively managing our risks section of this Report on pages 50 to 60.

Assessment of long-term prospects and sensitivities

The five-year strategic plan focuses on the expected growth of the business primarily in terms of EPRA NDV* and Total Return* including dividends. The strategic plan also incorporates 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 period, the Group expects to continue to transform land and property into sustainable places where people want to live and work. Whilst under the sensitivity analysis EPRA NDV* growth plus dividend as well as the Group's headroom over its facilities could be impacted temporarily, the long-term business model is expected to continue to deliver the Group's Purpose in a sustainable manner.

Long-term Viability Statement continued

Risk	Scenario	Mitigation and Further Analysis
Markets: Residential and commercial markets	• A downturn in industrial & logistics and/or residential market conditions could lead to a fall in property values or reduced sales. • Notwithstanding strong rent collection, 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 Group's three core regions and properties are diversified across the residential and industrial & logistics 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 mitigate any potential downturn by introducing new products at our residential sites, repositioning our Investment portfolio to modern Grade A and aligning the speed of our direct development to market conditions, de-risking development through pre-let or forward funding agreements where appropriate. • The Group works closely with tenants in its Investment Portfolio on payment terms that support both parties to continue to actively manage rent collection. • If necessary, 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 within 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. Adequate headroom on financial covenants is projected throughout the five-year period. • The RCF agreed in 2022 provides a £200m facility with no major refinancing deadline ahead of when the RCF expires in 2027. • The RCF is supplemented by project specific funding where relevant, with current loans expiring in 2024 to be repaid using RCF headroom. We continue to pursue and unlock grant funding and site specific loans where required. • The Group continues to actively review the risk of interest rate increases, projected drawn debt and hedging requirements, with 35% of the Group's drawn debt balance at 31 December 2023 subject to fixed interest rates. The Group's hedging strategy is to hedge the lower of around half its average debt during the year or its net debt* balance at year end. • Reduced activity on sites as set out above would reduce development expenditure and conserve cash resources.

Sustainability: Managing climate change transition	• Failure to manage transitional risks associated with climate change covering both operational activity and reporting. • Potential Impact of climate change on our sites, slowing development programmes and reducing sales.	• Risks associated with the development of our Sustainability Framework and NZC pathway are overseen by our ESG Board Committee (see pages 114 to 115). • A Non-Executive Director with a strong background in sustainability was appointed to the board in 2022. • All buildings delivered in 2023 met our NZC Pathway targets for embodied emissions and operational energy use in commercial buildings, allowing the Group to mitigate its Scope 3 emissions. • Development of an Energy and Natural Capital strategy, which includes opportunities for carbon sequestration, biodiversity net gain, carbon trading and use of renewable energy. • Continued transition of our Investment Portfolio towards modern grade A including all tenants in 2023 were offered green leases. • We have undertaken initial high level scenario modelling covering NZC pathway and transition risks.
Planning	• 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.	• 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
Other risks including project delivery and organisational development and design	• Supply chain pricing pressures and constraints resulting in development cost increases and delays and/or default by and/or insolvency of counterparties. • Legislative reforms which have the effect of levying an additional cost on development. • Insufficient and/or inappropriate resources, resulting in increased staff costs or reduced.	• 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 27.

Viability statement

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.

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

Section S172 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 2023.

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 matters of statutory compliance: doing so effectively is key to delivering against our Purpose and to drive long-term sustainable growth.

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

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

The Board's regard to these matters in its discussions and decision making is fundamental to Harworth achieving its Purpose to transform land and property into sustainable places where people want to live and work.

Our People

Why we engage	How we engage
Our people at Harworth are key to the current and future success of the Company. It is their skills, experience and hard work that allow us to create high-quality, sustainable places where people want to live and work.	The Board engages with staff directly through various formats, including employee lunches, site visits, regional team dinners, office visits and the Employee AGM held biennially. The Board also undertakes an annual review of our employee survey results and of employee engagement across the business, and receives feedback from the Chief Executive on people matters at each Board meeting. See more on page 90.
Their key interests	**How do we respond? Examples of actions taken in 2023**
• To work on market-leading projects with pride and enjoyment. • To work in, and contribute to, an innovative, collaborative and diverse culture. • To be supported in their career and personal development, appropriately rewarded and recognised for their contribution. • A sustainable work-life balance. • To feel valued and have their views heard and taken into account in decision making.	We are committed to making Harworth an employer of choice. Our people strategy, which supports our business strategy, is subject to ongoing review, particularly as the business grows. The Board, Remuneration Committee and Nomination Committee receive various updates from the Group Resources and Transformation Director whose responsibility it is to evolve the people strategy. Projects undertaken during the year and supported by the Board include: • A new Talent and Learning & Development Strategy: the "Harworth Academy", which supports professional development for roles at all levels. • Introduction of a new employee Reward Policy further developing our transparent and fair approach to pay. • A detailed review of the Harworth culture, which was heavily informed by feedback from colleagues across all areas of the business and will result in a refresh of our Harworth values to be embedded during 2024. We continued to support the extended application of our employee share plans to facilitate share ownership across the workforce allowing employees to share in the future success of Harworth. Conscious of the cost-of-living crisis and its disproportionate impact on lower-income households, the Remuneration Committee approved variable salary increases relative to role seniority which took effect from January 2023, with employees on lower salaries receiving a proportionately higher increase.

Investors

Why we engage	How we engage
To (i) build market appetite for our shares by explaining our strategy to, and understanding the views of, existing and prospective shareholders, and (ii) report in a fair, balanced and understandable manner on our operational and financial performance and on the market outlook, in order to allow investors to make informed investment decisions. Without the trust and long-term support of our shareholders, our business and the delivery of our Purpose are not sustainable.	Each year, the Board reviews and approves an investor relations plan for the year ahead. The interim results, Annual Report and other regulatory announcements, together with the www.harworthgroup.com website, are the Company's principal means of communication with all shareholders during the year. The results and Annual Report are reviewed in detail by the Board to ensure they articulate clearly and effectively both the company's strategy and the progress it achieves in delivering its strategic objectives. Management meets regularly with existing and prospective investors, and with brokers and analysts, including after publication of the Company's full-year and interim results. The Chair also meets periodically with our largest shareholders. So too does our Senior Independent Director if material changes to Executive remuneration are proposed. We provide business updates regularly via trading statements, investor presentations and regulatory releases including on material operational milestones such as significant site acquisitions and disposals and progress in obtaining planning consents. Two of our Non-Executive Directors, Martyn Bowes and Steven Underwood, are conduits for engagement with two of our largest shareholders.
Their key interests	**How do we respond? Examples of actions taken in 2023**
• Long-term returns. • A business that considers and delivers a positive environmental and societal impact. • An effective governance framework to support the successful delivery of our strategy.	In response to feedback from existing and prospective investors, we have further enhanced our financial and operational disclosures both in our Annual Report and our regulatory releases. We hosted investors and analysts on several site visits during the year and at a Capital Markets Day in June 2023, which comprised a presentation by members of the management team and a tour of both residential and commercial sites in the Yorkshire & Central region. Our Chief Executive and Chief Financial Officer held two live presentations via the Investor Meet Company platform, which was open to all existing shareholders and potential investors but particularly targeted at our retail investors, giving them the opportunity to submit questions before and during the event.

Section S172 Statement continued

Communities

Why we engage	How we engage
By understanding the characteristics people want in the communities where they live and work, we are able to create thriving communities and make a positive and sustainable contribution to local areas.	Consultation and collaborative working with the local communities where we are transforming sites are fundamental components of a successful project. These include: integrating principles and measures into our masterplans which align with the Harworth Way and our Communities Framework; early and ongoing engagement with the public on masterplans and all planning applications; liaison with key community groups as developments mature; and careful management of the shared public open space on our sites, often in collaboration with local residents.
Their key interests	**How do we respond? Examples of actions taken in 2023**
The creation of sustainable places where people want to live and work. Each site is unique but key interests for those living and working on our sites typically include: housing or places of work with a high design specification; supporting infrastructure, which has been carefully designed, delivered and "future proofed"; skilled employment; thoughtfully constructed blue and green spaces, which have a positive ecological impact and promote wellbeing; education provision; and comprehensive local amenities.	Consideration of the placemaking proposals for, and the impact on local communities of, each project are key components of our appraisals. • We have taken steps to broaden the range of products on our residential sites by: continuing to progress our single-family BTR portfolio; launching an affordable housing portfolio; and initiating a pilot programme for the construction of Net Zero Carbon homes. This allows us to enhance the vibrancy and diversity of our residential sites. • The ESG Committee reviewed the evolution of Harworth's sustainability framework, with a focus on the "Communities" pillar of the Harworth Way. Our Communities Framework will be published alongside this Annual Report. See further on pages 74 and 75. • We opened a new 50-acre country park at Cadley Park in Derbyshire, providing recreational space and wildlife habitats at this 600-home development. The park was developed by Harworth in close partnership with South Derbyshire District Council, National Forest, RSPB, Derbyshire Wildlife Trust and the local community. • At Waverley, we agreed with NHS South Yorkshire Integrated Care Board the design and specification for a new medical centre, and secured a revised planning permission for our Olive Lane local centre, which, alongside the medical centre, will comprise cafes, restaurants, and shops. These will be important community assets for residents and visitors to Waverley. Site preparation began in late 2023 with construction commencing in January 2024. We are planning for Olive Lane to be constructed by the end of 2024. • At South East Coalville, construction of a new forest school is underway, to be delivered in partnership with North West Leicestershire District Council and Leicestershire County Council. The school will be built to a bespoke design based on forest school principles, promoting education through play and activity while nurturing creativity through self-activity and investigation. The school is set to benefit the more than 1,000 residents soon to be living on site and also those living in the wider area.

Customers

Why we engage	How we engage
Our principal customers are: housebuilders, or in the case of mixed tenure products investors and/or registered providers; commercial developers; and occupiers. As a master developer, we want to ensure there is long-term demand for our developments, to achieve which we need to understand what our customers are looking for when they assess development opportunities.	We engage with housebuilders and commercial developers to maintain regular contact outside deal cycles to understand their needs and appetite for more land and development opportunities. We engage proactively with commercial occupiers to identify their appetite for pre-let commitments and work in partnership with occupiers who engage us for build-to-suit development. As we progress our mixed tenure projects, including our Build-to-Rent and Affordable Housing portfolios, we are engaging with selected investment partners about portfolio specific and long-term forward funding and investment opportunities. Typically, day-to-day engagement with our existing tenants is via our managing agents who help identify where direct involvement and engagement from our investment team are needed.
Their key interests	**How do we respond? Examples of actions taken in 2023**
A collaborative and reciprocal relationship with Harworth in which they trust us to deliver a high-quality, sustainable product on time, and, for our tenants, a longer-term relationship in which they are treated fairly and their operational needs are understood and met.	By repositioning our Investment Portfolio to modern Grade A, we are providing our occupiers with a high-quality product. As at 31 December 2023, 37% of the Investment Portfolio comprised Grade A properties (31 December 2022: 18%). To support and align our sustainability aspirations with those of our tenants: • We continued to work with some tenants directly, and others via our managing agents, to understand the carbon emissions from their operations on our premises. • All new leases offered to existing and new tenants were on "green" lease terms. • We switched energy procurement for our Investment Portfolio to a new renewable energy tariff. • We worked with prospective occupiers of our new developments to offer tailored renewable energy provision, via solar panels supported in some cases by battery storage. We continue to engage closely with our occupiers to ensure that payment terms support both parties. In June 2023, Ilke Homes, the tenant of a site in Flaxby Moor Industrial Estate, entered administration. We had engaged closely with this tenant over preceding months, which ensured that we were alive to its financial position and could react quickly to its insolvency. The site has since been sold in line with book value.

Section S172 Statement continued

Suppliers

Why we engage	How we engage
The successful and timely delivery of our sites depends on strong relationships with suppliers who are professional, trusted and share our values. Understanding their levels of, and approach to reducing, carbon emissions also supports our own journey to NZC.	We apply a consistent "take-on" approval process for all suppliers and maintain regular communication. Whilst we operate a long list of approved suppliers, we usually engage small groups of trusted consultants and contractors on a repeat basis, fostering strong, long-term relationships.
Their key interests	**How do we respond? Examples of actions taken in 2023**
A long-term partnership with Harworth in which they are treated fairly, maintain good visibility of our future requirements, and receive timely payment, whilst contributing to Harworth's success.	During 2022 and 2023, we undertook a detailed review of our procurement policies and processes, covering all forms of procurement at a corporate and project level. We have identified a target operating model to which we are transitioning, which will further enhance development project procurement and broaden existing good practice to other forms of procurement. Ahead of the delivery of each of the BTR and affordable housing portfolios and the Net Zero Carbon homes pilot, the Board undertook a review of delivery risk including the counterparty due diligence undertaken by the management team on all delivery partners. During the year, we have engaged with suppliers to understand carbon emissions arising from our major construction contracts allowing the Group to report on a wider set of Scope 3 emissions. During the year, the main contractor on our Chatterley Valley enabling works contract entered administration. Where possible, we engaged with some of its sub-contractors to retain their services, and benefitted from relationships with our project delivery partners and relationships in the wider construction industry to appoint suitable alternative contractors, mitigating, as far as possible, the adverse impact on delivery cost and timetable.

Funders

Why we engage	How we engage
We need external capital to fund the Group's activities, long-term projects and efficient growth.	We schedule relationship meetings with our senior lenders every six months but have a regular dialogue with them throughout the year, including quarterly all parties meetings. We engage proactively with prospective grant and debt funders of project specific activities, such as infrastructure and direct development. We meet public and private funding partners on a regular basis to explore partnership opportunities on one or more sites at a time.
Their key interests	**How do we respond? Examples of actions taken in 2023**
A profitable secure lending relationship with open dialogue, regular updates and assurance about our operational and financial performance together with delivery against all our contractual obligations.	Good levels of interest were expressed in our Affordable Housing portfolio as an attractive investment opportunity leading to engagement with potential investors. The prospect of establishing a long-term and strategic relationship with one or more investors was an important factor in our appraisal of options.

Government

Why we engage	How we engage
Harworth has an important part to play in supporting some of the Government's main priorities over the coming years, both at a national and regional level, including in the areas of climate change, levelling up, and addressing the housing shortage.	We participate in central Government consultation exercises on policy proposals both on our own account and through industry bodies such as the British Property Federation. We also engage informally on national initiatives such as the levelling up agenda and HS2, as well as on site-specific matters. We engage with local government, Combined Authorities, and Local Enterprise Partnerships ('LEP') when working collaboratively with officers and members from local planning authorities ahead of planning application submissions and on the discharge of planning conditions; bidding for grant or loan monies from local authorities and LEPs for infrastructure investment; and promotion of long-term strategic land projects with local authorities.
Their key interests	**How do we respond? Examples of actions taken in 2023**
Environmental, societal and economic priorities, both national and local, the achievement of which we can help support.	During the year, we engaged with the leaders and other senior officers of certain local authorities and Metro mayors to collaborate with them on the delivery of local priorities via our current and prospective projects. Housing shortages within local planning authorities and central and local Government priorities for infrastructure investment continued to be important factors that inform our project appraisals. During the year we developed a Harworth publication which proposes policy reforms aimed at establishing a more supportive business environment that encourages development and broader regional economic growth. We are planning an extensive engagement programme around its launch inviting key public sector and central government stakeholders across the political spectrum to discuss whether solutions can be embedded as part of any legislative revisions to existing policies. These discussions enhance and complement our ongoing wider stakeholder engagement plans.

Effectively Managing Our Risk

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

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

Our risk management framework

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

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

Risk framework ▼ INFORMING ▲ REPORTING

The Board

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

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Audit Committee

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

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Group Leadership Committee ('GLC')

The GLC has responsibility for identifying operational risks, implementing and monitoring risk responses and ensuring the effectiveness of key controls. A risk workshop is hosted at each GLC meeting to undertake a "deep dive" into one or more risks, led by the risk owners and champions.

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Risk owners and champions

At an operational level, ownership of risks is assigned to risk owners and managed on a day-to-day basis by risk champions from each function across the business, and now supported by our enterprise risk function, which was established at the start of 2024. During the year we used our Group Risk and Assurance Map ('GRAM') to monitor and report on risks - see more on the following page. Since the establishment of our enterprise risk function, we are working on transitioning from the GRAM to a Risk and Control Matrix.

Internal audit

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

At the start of 2023, a new Head of Internal Audit joined the business (now Head of Audit and Assurance following the formation of our enterprise risk function at the start of 2024) who is responsible for designing and delivering a 36-month rolling internal audit programme, with support from a co-sourced partner. In March 2023, the Audit Committee approved the 2023 internal audit programme. The findings and recommendations from these audits were reported to the Committee throughout the year. The Committee also reviews annually the effectiveness of the internal audit function. See further in the Audit Committee Report on page 113.

Group Risk and Assurance Map

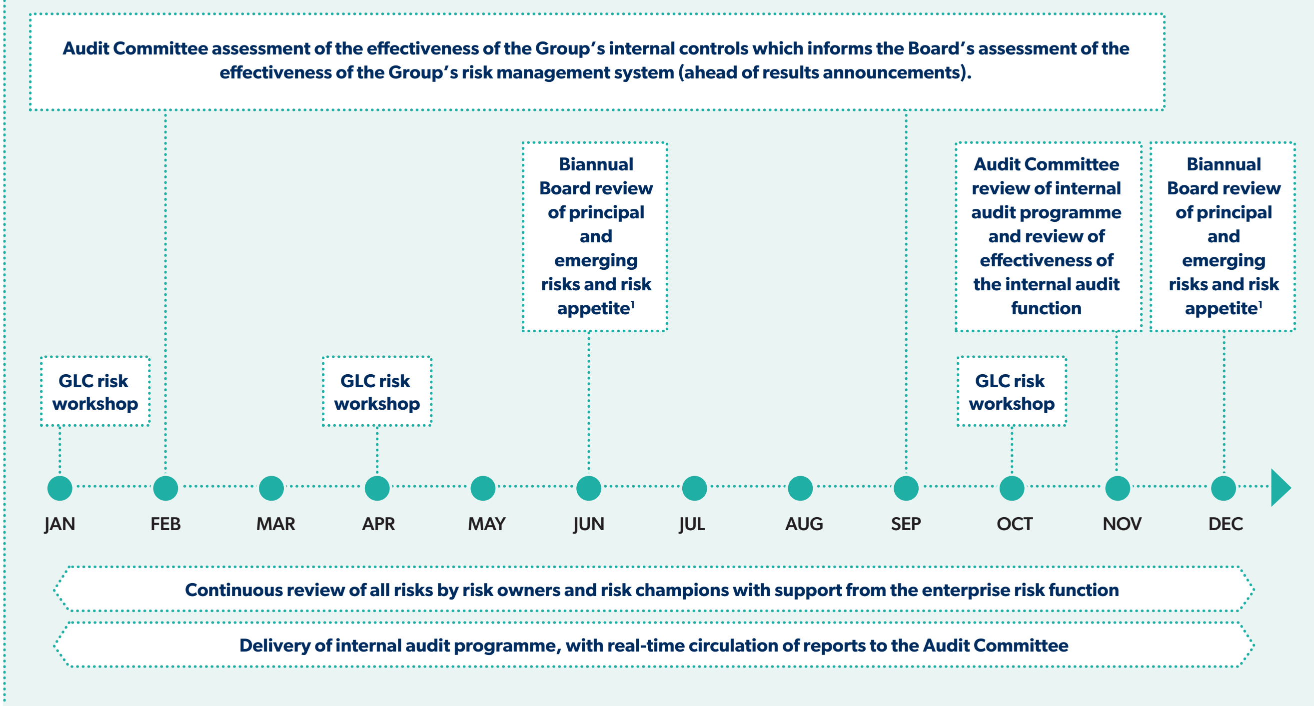
The GRAM incorporates both the principal risks identified by the Board and the operational risks identified by the wider business. Each risk has its own risk and assurance map which details:

- the scope, and commentary on the status, of each risk;
- inherent risk, residual risk and risk appetite scores to evaluate the changing status of each risk and monitor the alignment (or misalignment) of risk appetite and risk profile;
- 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 informs the 36-month rolling internal audit programme (see page 113 of the Audit Committee report).

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

The risk management system and internal audit programme pursuant to which, throughout the year, risks are monitored and managed, and assurance is gained as to the effectiveness of internal controls, is summarised below:

Risk review framework: annual cycle



1 The profile of the principal risks is reported to the Board at each Board meeting, with the Board undertaking a detailed review biannually (or at any time if there are significant movements in the risk profile).

Effectively Managing Our Risk continued

Principal risks and uncertainties

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

In 2021, the Board identified through a series of workshops a refreshed set of principal risks, informed by the Company's strategy developed that year. During 2023, the Board continued to review principal risks, especially in the context of the challenging and uncertain macroeconomic and geopolitical environment which persisted throughout the year. At the time of writing, and looking ahead, the Board anticipates national and global economic and political uncertainty to remain elevated requiring it to continue to manage the Group's principal risks against an uncertain backdrop.

Outlined below are the changes that have been made since reporting on our principal risks in the 2022 Annual Report. See pages 52 to 60 for a detailed explanation of each principal risk.

Risk	What has changed during the period
Availability of and competition for strategic sites	The Board determined the status of this risk to have reduced from "high" to "medium" as uncertain market conditions have constrained the appetite of capital for long-term strategic sites, moderating the level of competition for land. At the same time, our strong balance sheet and existing pipeline of opportunities enable us to continue to grow our strategic land portfolio in a selective manner.
Power infrastructure capacity	The Board identified a new principal risk reflecting the challenges in securing adequate power capacity for development sites creating uncertainty in the cost and programme for development. This new risk has a "medium" residual risk status.
Development supply chain	The previous "Supply chain cost inflation and constraints" risk has been expanded to incorporate all risks associated with management of the development supply chain combining supply chain counterparty risk, including the risk of insolvencies, as well as inflation risk. Whilst inflation risk has reduced, the Board considers that the overall development supply chain risk is trending higher due to the increasing risk of contractor insolvency in challenging market conditions.
Counterparties: investment partners and service providers	The previous "Supply chain and delivery partner management (counter-party risk)" has been reframed to focus on the risk of increased exposure to investment partners as well as counterparty risks amongst our critical service providers (beyond those in our development supply chain). This risk, as amended, has a "medium" residual risk status.
Planning	Whilst the planning risk profiles of individual projects differ, the Board continues to consider that, overall, the residual risk status of our planning risk remains "high" reflecting both current planning policy and local authority resourcing headwinds. However, the Board considers that this risk is no longer trending higher. There are signs of positive changes in planning policy over the medium term, regardless of the outcome of the next General Election. In the meantime, Harworth continues to make progress through management actions.
Residential and commercial markets	Given prevailing economic headwinds at the half-year, the Board highlighted in the Company's interim results announcement that this risk could trend higher during the second half of the year. Conditions have since stabilised in Harworth's core markets with an improving outlook. Inflationary pressures are easing such that there is an expectation of interest rate cuts from the middle of the year, which should lead to a softening of gilt yields and reduction in mortgage rates. In the industrial & logistics sector, robust rental growth has mitigated the impact of softening yields which are expected to stabilise with clarity on interest rates. In the residential sector, house prices have risen moderately in recent months and improving sales rates have led housebuilders to express optimism about the outlook for the sector. Given this improved outlook, the Board determined that the "residential and commercial markets" risk has reduced to "medium". However, as uncertainty remains for businesses and consumers, not least from a volatile geo-political backdrop, the Board will continue to monitor the status of this risk very closely.

The risk heat map below illustrates the status of our principal risks at the date of this report, both before and after mitigating actions.

Principal risks

Acquisitions

1. Availability of and competition for strategic sites

Project Delivery

2. Planning
3. Development supply chain
4. Counterparties: investment partners and service providers
5. Power infrastructure capacity
6. Statutory costs of development

Markets

7. Residential and commercial markets

People

8. Organisational development and design

Finance

9. Availability of appropriate capital

Safety and Compliance

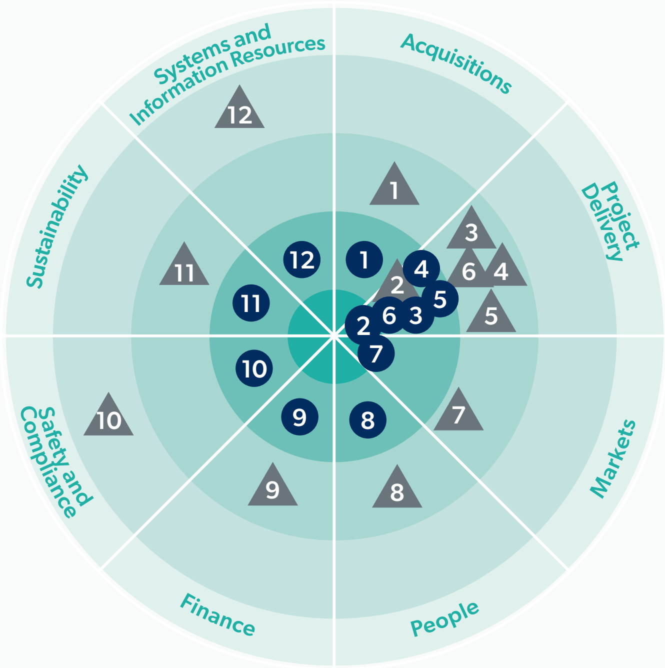
10. Health and safety

Sustainability

11. Net Zero Carbon pathway

Systems and Information Resources

12. Cyber security



Very high
High
Medium
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 principal risks

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

Key to strategic links

1 Increasing direct development of industrial & logistics stock

2 Accelerating sales and broadening the range of our residential products

3 Growing our strategic land portfolio and land promotion activities

4 Repositioning our Investment Portfolio to modern Grade A

£ Group Targets

H The Harworth Way

Key to change in residual risk in the year

No change

Increase

Decrease

Effectively Managing Our Risk continued

Risk 1	Commentary	
Availability of and competition for strategic sites	Competition for acquisitions remains a key risk as acquiring (or otherwise securing an interest in) new sites underpins the third pillar of our strategy: "Growing our strategic land portfolio and land promotion activities". During the year the Board determined the status of this risk to have reduced to "medium" as uncertain market conditions have constrained the appetite of capital for long-term strategic sites, moderating the level of competition for land. At the same time, the Group has a robust pipeline of industrial & logistics and residential land (37.7m sq. ft of industrial & logistics space and 27,190 housing plots at 31 December 2023), as well as a strong balance sheet, enabling us to continue to grow our strategic land portfolio in a selective manner.	
Description	**Mitigation**	**Additional measures planned for 2024**
Failure to acquire strategic land at appropriate prices due to constrained supply or competition.	• Extensive external stakeholder engagement to identify opportunities, supported by internal co-ordination via regular internal acquisitions meetings and a Group-wide acquisitions tracker. • We seek input from our valuers prior to making major acquisitions to ensure we understand the latest market pricing. • Via our portfolio strategy, we manage the timing of acquisitions. • The review of project plans for each site helps highlight further land assembly opportunities.	• Leveraging better our relationships with local authorities and agents. • Deploying alternative structures to support land assembly, including via strategic partnerships. **Current residual risk status** **MEDIUM** **Change in residual risk in the year** ▼ **Link to strategy** 3 £

Risk 2	Commentary	
Planning	Planning remains challenging due to a combination of factors including: Central Government policy (the updated National Planning Policy Framework ('NPPF')); inertia pending a General Election; and LPA under-resourcing. The determination of planning applications on certain sites has been slower, and we have also seen local plan processes paused or suspended and local planning committees refuse to adopt plans. At the same time, the short-term horizon looks unfavourable with mandatory Biodiversity Net Gain ('BNG') requirements needing to be implemented from January 2024, the updated NPPF (which poses potential long-term headwinds for planning promotion), and introduction of the infrastructure levy (the practical application of which remains unclear). That said, there are signs of positive changes in planning policy over the medium term, regardless of the outcome of the next General Election. In the meantime, and longer-term, Harworth remains well positioned with our large strategic landbank.	
Description	**Mitigation**	**Additional measures planned for 2024**
Planning promotion risk including uncertainty around local and national changes to planning regime with adverse effects on promotion activity and/or financial returns.	• We review greenbelt exposure at a portfolio level at every Investment Committee and Board meeting. • Project underwriting proposals include detailed planning strategies (including competing sites analysis and BNG considerations), informed by project stakeholder mapping, which continue to be monitored via site project plans. • Local political advisers are appointed on individual sites, where appropriate. • Group strategic stakeholder mapping. • We respond to consultations on emerging planning policy, both in a solus capacity and via representative groups, such as the British Property Federation.	• Strategic planning for development of relationships with senior political stakeholders. **Current residual risk status** **HIGH** **Change in residual risk in the year** ▶ **Link to strategy** 1 2 3 £

Risk 3	Commentary
Development supply chain	The previous "Supply chain cost inflation and constraints" risk has been expanded to incorporate all risks associated with management of the development supply chain - combining supply chain counterparty risk, including the risk of insolvencies, as well as inflation risk. Cost inflation in the supply chain had been identified as a distinct principal risk reflecting a persistently high inflationary environment following the Covid pandemic, but this risk is subsiding, and the cancellation of the HS2 Northern Leg has the potential for more capacity to become available in the contracting market helping further to regularise costs. However, macroeconomic conditions have led to a materially increased prevalence of construction sector insolvencies. The Board considers that this expanded risk is trending higher due to the increased potential for insolvencies in our supply chain, and it, therefore, continues to be the subject of intensive scrutiny and management.

Description	Mitigation	Additional measures planned for 2024
Exposure to development supply chain leading to greater exposure to pricing pressures and labour constraints, and risk of disputes with and/or default by and/or insolvency of supply chain partners.	• Our procurement approach is considered early in project planning. • We undertake rigorous tender processes. • Cost plans are monitored closely, updated in valuations and adjustments made regularly to reflect pricing movements. • Due diligence on contractors – screening of contractors ahead of appointment together with ongoing Group-wide review of contractor “concentration risk” and financial health. To this end, we utilise market intelligence regarding contractors’ commitments and workload. • Performance bonds sought to support all major contracts. • External review of contractor insurance packages for every direct development project. • We have established a suite of legal precedents to promote consistency in land remediation and direct development procurement.	• We have undertaken a comprehensive review of procurement and continue to transition to a new operating model, which will include tiering of the supply chain and more intensive relationship management of, and due diligence on, strategic suppliers. **Current residual risk status** **MEDIUM** **Change in residual risk since reformulation at the half-year** **Link to strategy** 1 2 £

Effectively Managing Our Risk continued

Risk 4	Commentary
Counterparties: investment partners and service providers	We face increased exposure to investment partners (JVs, forward funders, strategic investors) as we continue to grow and develop our sites, seeking opportunities with partners in connection with land assembly, direct development and delivery of alternative residential products. Our governance and ways of working continue to mature to counter this increased exposure. In the near term, a difficult economic climate also increases the risk of insolvencies amongst these counterparties, which continues to be monitored closely. Separately, supply chain tiering, which forms part of our transition to a new procurement operating model, will help to identify the critical dependencies amongst our service providers (beyond those in our project delivery supply chain) which could increase our vulnerability to disputes with and/or defaults by and/or insolvencies of those providers.

Description	Mitigation	Additional measures planned for 2024
Increase in exposure to investment partners and critical dependencies on certain service providers, leading to increased risk from disputes with and/or default by and/or insolvency of these counterparties.	• A consistent process is followed for selecting and "onboarding" counterparties. • Project underwriting proposals include detailed consideration of counterparty risk, where appropriate. Due diligence to support the appraisal of credit counterparty risk, and counterparties' ability to meet their financial commitments, is particularly rigorous for new investment partners. • Development of relationships with counterparties and ongoing assessment of their delivery of obligations.	• The comprehensive review of procurement and transition to a new operating model will make more effective the way we engage with service providers. • Implementation of an enhanced relationship management regime for existing JV partners. **Current residual risk status** **MEDIUM** **Change in residual risk since formulation at the half-year** ▶ **Link to strategy** 1 2 3 £

Risk 5	Commentary	
Power infrastructure capacity	There are increasing challenges in securing power for our development sites bringing uncertainty and the risk of increasing costs and delay. The current system for securing power capacity, in which applications are made to Distribution Network Operators (DNOs), results in the formation of queues for available power capacity, meaning there can be a long wait for infrastructure upgrades and/or for third parties to relinquish capacity they have secured but no longer need. In addition, it is not uncommon for the National Grid ESO (NGESO) to amend or withdraw offers. In some cases, NGESO is altogether unable to provide a cost or programme for upgrades. Following NGESO's consultation on the connections' application process and final recommendations report published in December 2023, we will continue to monitor and plan for implementation of the reformed process which will represent a welcome transition to a "first ready, first connected" approach. Should the application regime successfully change in this way, currently expected to be implemented in January 2025, we expect the status of this risk to reduce.	
Description	**Mitigation**	**Additional measures planned for 2024**
Challenges in securing power for our sites resulting in potential for adverse impact and uncertainty as to cost and programme for development.	• Analysis of power capacity and upgrade potential and timing as part of acquisition underwrite. • Early engagement with DNOs and NGESO to identify availability of power capacity, formulate procurement strategy, and seek earlier connection offers. • Entry into reservation commitments to secure Harworth's position, where appropriate.	• Continuing to monitor the proposed changes to and implementation of the reformed connections system, and future application requirements. **Current residual risk status** **MEDIUM** **Change in residual risk since formulation at the half-year** **Link to strategy** 1 2 £

Risk 6	Commentary	
Statutory costs of development	It is the current government's settled policy to increase public financial gain by taking a larger proportion of land value uplift derived from planning consents. Legislative measures to achieve this aim include: the residential property developer tax, albeit this has already been implemented with no tangible effect noticed on pricing of land sold to housebuilders; the Building Safety Levy, which is not yet implemented but does not seem to be high on the agenda when we engage with housebuilders; and the Infrastructure Levy, to be implemented via the Levelling Up and Regeneration Act, but the practical implementation of which remains unclear. The Labour Party has indicated that it would abandon some of these measures if it were to win the next General Election.	
Description	**Mitigation**	**Additional measures planned for 2024**
Legislative reforms which do, or may, impose a tax or levy on development, or have the effect of levying an additional cost on development.	• Enhanced horizon scanning regime. • Sensitivity to additional statutory costs modelled when assessing acquisitions. • Responding to emerging policy both on a solus basis and through key stakeholder groups.	• None planned. **Current residual risk status** **MEDIUM** **Change in residual risk in the year** **Link to strategy** 2 3 £

Effectively Managing Our Risk continued

Risk 7	**Commentary**
Residential and commercial markets	As conditions have stabilised in Harworth's core markets with an improving outlook, the Board have assessed this risk to have reduced to a "medium" residual risk status. However, as uncertainty remains for businesses and consumers, which is likely to weigh on sentiment for some time to come, the Board will continue to monitor the status of this risk very closely. Notwithstanding market headwinds, Harworth's core markets of industrial & logistics and residential have continued to be resilient as they remain key drivers of economic growth. This, coupled with the scale and mix of our portfolio and our ability to create value through management actions, means that the Group is well positioned to mitigate and adapt to changes in the external environment. For the industrial & logistics market, the structural drivers of demand remain largely intact and supply in our regions is relatively constrained. For residential, we expect that, even as interest rates ease, affordability challenges will still impact house buyer demand in some parts of the country. However, the supply of development-ready land will remain constrained, and we are confident that our consented, de-risked serviced land will appeal to a wide range of buyers. At the same time, our increasingly diversified range of residential products will provide us with exposure to markets that continue to grow regardless of where the cycle is.

Description	**Mitigation**	**Additional measures planned for 2024**
Downturn in industrial & logistics and/or residential market conditions leading to falls in property values.	• Regular feedback is received from advisers on the status of residential and industrial & logistics markets in our core regions to supplement generic market commentary. • Regular review of site project plans by our delivery teams and the Investment Committee, informed by prevailing market conditions. • Management actions to drive value and adapt to prevailing market conditions - for example, during 2023 we continued to pursue mixed tenure strategies, and did not start any new speculative direct development projects.	• Continue to implement the strategy taking account of existing market conditions. For example, we will continue to accelerate serviced land sales where we see regional market opportunities, press ahead with our mixed tenure products, and mitigate our exposure to market risk by focusing on build-to-suit vertical development opportunities and land parcel sales. **Current residual risk status** **MEDIUM** **Change in residual risk in the year** ▼ **Link to strategy** 1 2 4 £

Risk 8	Commentary
Organisational development and design	Following a period of rapid growth in employee numbers, the Board recognised that a structured change management approach to both organisational development (the "informal" elements of behaviour, values and culture) and organisational design (the "formal" elements of operation and governance) was critical as the Group continued to evolve and grow. During the year, we made good progress in establishing that structured approach, examples of which are identified in the mitigation activities below. Our organisational design and development will be subject to continuous evolution. It will likely remain a principal risk in the medium-term, during which time that evolution will be more intensive, to support the marked changes in pace and scale of our activities required by our strategy.

Description	Mitigation	Additional measures planned for 2024

Misalignment of culture, capability, systems and/or controls with what the business requires to deliver the strategy.	• Implementation of people strategy to complement our business strategy, focusing on the number and nature of resources required to fill skills gaps as well as numbers gaps.
	• During the year, progress has been made in the focus areas below:
	  • Review of Harworth's culture
	  • Reward project (pay & benefits)
	  • Development of a new Talent and Learning & Development strategy: the "Harworth Academy"
		• Continue to implement the "People and Enabling Excellence Strategy", focusing on culture, workplace and the next phase of the reward project.
		Current residual risk status
		MEDIUM
		Change in residual risk in the year
		Link to strategy
		1 2 3 4 H

Risk 9	Commentary
Availability of appropriate capital	The increase in pace and scale of activity under our strategy in turn has the potential to require additional capital. The £200m RCF signed in early 2022, supplemented by project specific funding where appropriate, currently supports the funding needs of the business. Headroom is projected to remain on all LTV covenants and could withstand a material fall in valuations. The interest rate risk is plateauing as interest rates are expected to have peaked. However, to leverage our growing development pipeline we are likely to need to supplement the RCF with additional capital in future years. The Board recognises it could be challenging, given current market uncertainty, to raise additional equity to fund accelerated development, and therefore management is actively reviewing other potential sources of funding.

Description	Mitigation	Additional measures planned for 2024
Inability to access appropriate equity and/or debt funding to support the strategy.	• Regular review of financing strategy to complement our business strategy, supported by external consultants where required. • Improvements to longer-term financial forecasting. • In early 2022, we signed a new RCF comprising a five-year £200m revolving credit facility together with a £40m accordion facility. This is supplemented by accessing project specific funding where relevant. • We continue to pursue and unlock grant funding and review additional funding options.	• Continue to identify scheme specific and grant funding. • Progress the review of capital structure funding options. **Current residual risk status** **MEDIUM** **Change in residual risk in the year** **Link to strategy** 1 2 3 4 £

Effectively Managing Our Risk continued

Risk 10	Commentary
Health and safety	The health, safety and welfare of people involved in or affected by Harworth's activities are of prime importance to us. 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 management of health and safety on our horizontal and vertical development projects, and 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. We have a long-established Environment, Health & Safety ('EHS') function with a focused remit on health and safety and environmental policy, advice and assurance.

Description	Mitigation	Additional measures planned for 2024
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. • During the year we transitioned the SHEMS to a new cloud-based platform which facilitates reporting of site incidents and risk assessments including real-time reporting via a mobile application. • The EHS team undertakes a rigorous site inspection assurance regime. • We have a panel of EHS consultants who support our project delivery, and have undertaken a project to improve engagement with and management of these consultants. • EHS Committee meetings are held quarterly and attended by the Executive and senior management from all delivery functions. These are supplemented by a programme of attendance by EHS team members at delivery team operational meetings. • 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. • EHS reports are made to the Executive and Board monthly. The Head of EHS provides a detailed update to the Board annually.	• Continuous review of improvements to EHS reporting supported by the cloud-based platform. • Improvements to the management of first line and second line assurance site inspections. **Current residual risk status** LOW **Change in residual risk in the year** **Link to strategy** £ H

Risk 11	Commentary
Net Zero Carbon ('NZC') pathway	The NZC agenda means transformational change for all businesses. It has a wide-ranging impact on the Group, from our investment case to shareholders, through to operational activity, including the need to embed NZC principles into all projects, whilst remaining profitable. It also embraces external factors such as industry and stakeholder metrics and the approach taken by Local and Combined Authorities on e.g. carbon tax, BNG and social value measures. In April 2023, we published our first NZC Pathway report and will publish a NZC Pathway Progress Report for 2023 alongside this Annual Report, as well as our Communities Framework. We consider it crucial that, in delivering on NZC, our approach is authentic, understandable and deliverable.

Description	Mitigation	Additional measures planned for 2024
Failure to develop, manage and meet our NZC commitments and/or NZC regulations, resulting in financial loss, reduced availability of funding and/or reputational damage.	• Development of The Harworth Way and NZC Pathway with targets identified (see pages 70 to 77). • Continued transition of our Investment Portfolio to 100% modern Grade A. • Improvements to the capture and analysis of environmental data (including from our supply chain and tenants) with measures in place for verification of the same. • Initiation of a pilot for the construction of our NZC homes product, Coze Homes. • New leases offered to existing and new tenants are on "green" lease terms. • We switched energy procurement for our Investment Portfolio to a new renewable energy tariff. • We work with prospective occupiers of our new developments to offer tailored renewable energy provision. • Project appraisals include better sustainability analysis. • Development of Harworth's commercial and residential building specifications. • We are a member of the UK Green Building Council, which facilitates sharing of knowledge and best practice.	• Continue to improve the capture and analysis of environmental data. • Continued development of a carbon accounting system, including appropriate accreditation. • Continued development of an Energy and Natural Capital strategy. **Current residual risk status** **MEDIUM** **Change in residual risk in the year** **Link to strategy** 1 2 3 4 £ H

Effectively Managing Our Risk continued

Risk 12	Commentary
Cyber security	Cyber-attacks pose a continually evolving threat to all businesses and Harworth, like all others, is at risk. We have robust strategic and technical measures in place to monitor and mitigate this risk. Our last biennial penetration test (H2 2022) found Harworth to be in a strong position, and we undertake rolling vulnerability scanning which provides real-time assurance. Updates on cyber security risk and mitigations are provided to the Audit Committee biannually.

Description	Mitigation	Additional measures planned for 2024
Successful cyber-attack jeopardising business continuity.	• The Business Continuity Plan. • We have an external provider for IT support, which remains vigilant to the evolving cyber security backdrop, and is supported by a retained cyber security specialist. • We take out cyber risk insurance. • We undertake biennial penetration testing, supported by regular phishing simulations and continuous IT system vulnerability scanning. • We have a rolling cyber and information security awareness programme for all employees.	• Desktop test of Business Continuity Plan. **Current residual risk status** LOW **Change in residual risk in the year** **Link to strategy** H

Task Force on Climate-Related Financial Disclosures

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

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

- **Strategy:** We are working towards a 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. We expect to address data limitations in the near term as Harworth invests in systems and resourcing to capture more data.
- **Metrics & Targets:** Further significant progress has been made over the year in measuring our Scope 3 greenhouse gas emissions including a wide range of emissions reliant on the disclosure of data to us by suppliers and customers. Scope 3 emissions reporting for 2023, as published in our NZC Pathway Progress Report 2023, covers a significant proportion of our overall Scope 3 emissions, including emissions data from our major construction contracts and from energy use within our Investment Portfolio for the first time. There remains some work to be done over the course of 2024 to further widen this data set, as outlined our NZC Pathway Progress Report.

Further information on The Harworth Way and the Group's NZC pathway can be found on pages 70 to 77 of this Annual Report, and Harworth's standalone NZC Pathway Progress Report, which is published at the same time and is available on our website. Greenhouse Gas ('GHG') emissions data can be found in our Streamlined Energy & Carbon Reporting ('SECR') disclosure on pages 68 and 69.

Governance

Board oversight of climate-related risks and opportunities

The Chief Executive has overall responsibility for climate-related risks and opportunities. The Board is updated regularly on our sustainability and climate-related performance and has overall accountability for and oversight of risk, undertaking a biannual assessment of the principal risks, which include climate-related risks. After each meeting of the ESG Committee, the Committee Chair provides an update to the Board on sustainability progress. The Board assesses the climate-related risks and opportunities inherent in material projects, as part of the Board project appraisal process. In 2022, the project appraisal framework was extended to understanding the embodied and operational carbon content of direct development projects, in line with the UK Green Building Council Net Zero Carbon Buildings Framework. The project appraisal framework continues to evolve, and as of 2023 new project proposals require commentary in respect of the Focus Impact Areas of The Harworth Way and specifically the requirements of Harworth's NZC pathway. The Board also considers climate-related risks and impacts when assessing business plans, major capital expenditures, acquisitions and sales.

Ongoing oversight of climate-related issues is carried out by our ESG Committee, a sub committee of the Board, which is chaired by Angela Bromfield and comprises the Chair of the Board, Chief Executive, Chief Financial Officer and Non-Executive Directors Martyn Bowes and Marzia Zafar, and is attended by our Director of Sustainability.

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

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

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

The ESG Committee is supported by Harworth's sustainability team, which was established in 2022 following the appointment of Peter Henry as Director of Sustainability, reporting directly to the Chief Executive. The sustainability team works with members of the Senior Executive and representatives from teams across the business, including the regional delivery teams, finance, HR, asset management, and central services, to share knowledge, develop policies and guidance and consider how best to address climate-related issues in our operations. It then reports progress and proposes policies and actions to the ESG Committee.

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

Task Force on Climate-Related Financial Disclosures continued

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

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

The management team engages with several external bodies, including the UN Global Compact, UK Green Building Council, the British Property Federation, 3Ci (the Cities Commission for Climate Investment) and the Construction Industry Research and Information Association, as well as local authorities, to enhance its understanding and management of climate change risk and opportunities. The team monitors external climate-related issues and emerging policy and best practice, including in a horizon scanning regime led by our legal team, with support from our legal panel firms.

Strategy

Overview of climate-related risks and opportunities

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

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

In identifying the risks and opportunities outlined in this section and their impact on our financial planning and performance, we have considered the likelihood of the risk based on current and forecast market data and trends as well as our business activity. Given the complex nature of our sites, a qualitative review has been undertaken considering the type and condition of our portfolio assets and their location. This is followed by a detailed discussion held with ESG Committee to consider the potential impacts, financial, strategic, operational and reputational on the Group. We have also considered the mitigation measures that we currently and could potentially implement, which have informed our risk assessment outlined on page 59. In addition, through the planning and delivery phases, all developments follow the regulatory and legislative requirements for assessing and implementing measures to mitigate climate change. Together, these factors determine the prioritisation of individual risks and opportunities in our asset and group-level financial planning.

Harworth's assumptions for UK	2°C scenario	4°C scenario
Transition approach	The UK and other nations largely meet their currently pledged decarbonisation commitments, and Harworth follows its NZC pathway	The UK and other nations take only very limited steps to meet their currently pledged decarbonisation commitments, but Harworth still follows its NZC pathway
Physical impacts by c.2050	Annual average temperatures: +0.6°C from present Mean sea level rise: +3cm to +37cm from present Heavy rainfall: +10% increase from present UK heatwaves 'like 2018 summer (the joint hottest on record)': 50% chance each year	
Physical impacts by c.2100	• Annual average temperatures: +0.7°C from present • Mean sea level rise: +5cm to +67cm from present • Heavy rainfall: +20% increase from present • UK heatwaves 'like summer 2018': 50% chance each year	• Annual average temperatures: +3.0°C from present • Mean sea level rise: +27cm to +112cm from present • Heavy rainfall: +50% to +70% increase from present • UK heatwaves 'like summer 2018': 90% chance each year

Short-term risks (to 2027)

2°C scenario

Risk	Impact on business, strategy and financial planning
Transition risks	
Policy & Legal: Minimum Energy Efficiency Standards ('MEES') and the introduction of "energy in-use" performance ratings could result in increased costs, a loss of rental income and valuation declines if our Investment Portfolio assets do not meet minimum standards.	We plan to transition our Investment Portfolio to Grade A by the end of 2027. This year we completed ('CRREM') Carbon Risk Real Estate Monitor assessments for the majority of our Investment Portfolio and we are developing a NZC pathway for every asset that we own. A workstream reviewing Energy Performance Certificates ('EPCs') and potential impact of MEES is underway.
Policy & Legal: Increased one-off and operating costs across our major development sites arising from regulation and changes to policy in areas such as green energy procurement, EV charging point installation and biodiversity offsetting.	Our developments already often exceed minimum building regulations and emphasise high-quality placemaking. We believe this approach improves the sustainability of our assets, and this is reflected in their valuation and rental profile. We are also reviewing our energy tariffs, which should provide an opportunity to lower our Scope 2 emissions.
Market: There could be challenges in acquiring the materials and equipment needed, and gaining access to the required power capacity, to manage our transition in a timely and cost-effective way, due to significant demand across the market and constrained supply chains.	We will continue to monitor the market, while undertaking rigorous tender processes and utilise market intelligence regarding supplies of such materials or equipment. By taking action ahead of regulatory deadlines we will potentially avoid procurement during peak times of demand and constrained supply.
Market: An increase in energy efficiency specifications expected by occupiers and home buyers would require additional expenditure on development and fit-out, which could depress land values.	We work with our suppliers and housebuilder partners to deliver high-quality products, which already exceed market requirements, and have developed a commercial building specification to improve environmental performance. This should be reflected in the valuation, pricing and rental profile of our land and assets.
Market: The introduction of carbon pricing on high emission material and activities, and premiums for and/or availability of lower carbon alternatives could impact the costs of procuring raw materials for our supply chain and in remediating and preparing land across our sites.	Our procurement approach and costs associated with remediation and preparation are considered early in project planning, and we undertake rigorous tender processes. We conduct ongoing monitoring of material costs and use technical resource to mitigate any impact of rising prices.
Reputation: Investor and other stakeholder requirements in respect of sustainability performance increase, creating a risk of reputational damage where expectations are not met, and impacting our ability to raise capital or create new partnerships.	Harworth continues to enhance its environmental reporting, and our NZC pathway provides a framework for measuring progress against our objectives. We are engaging closely with investors, other stakeholders and industry bodies to ensure our environmental reporting continues to evolve and meet expectations.
Reputation: Communities that are impacted by climate-related events such as flooding on or close to our developments may perceive the Group to be contributing to, or not doing enough to mitigate, any impacts.	We will continue to monitor the potential impact of climate-related events at our sites and the surrounding area and engage with local authorities and community groups to ensure they understand Harworth's role and responsibilities.
Physical risks	
Some increases in the incidence of acute physical risks, such as heatwaves, storms, and flooding, could result in increased costs to create, repair, replace and future-proof infrastructure across our major development sites and buildings in our Investment Portfolio.	Our planning permissions and development designs incorporate a range of climate risk mitigation measures, meeting all regulatory and legislative requirements. For example through developing sustainable urban drainage systems ('SUDS') and sustainable cooling and heating systems for industrial units which will provide resilience for increases in global temperature. We maintain a flood risk register for all sites and undertake a flood risk assessment as part of the planning and design process.

Task Force on Climate-Related Financial Disclosures continued

Impact of a 4°C scenario

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

Short-term opportunities (to 2027)

2°C scenario

Opportunities	Impact on business, strategy and financial planning
Products & services: Through increasing direct development and transitioning our Investment Portfolio to Grade A, we can provide market-leading industrial & logistics space with a high environmental specification.	Grade A assets would be expected to be in higher demand from occupiers, and, therefore, generate higher rental income and valuations. Harworth has committed that all its new commercial developments will be NZC in construction and operation by 2030.
Resilience: Our commercial building specification for new direct development will deliver future-proofed assets that will provide resilience with lower energy use intensity, emissions and transition costs in the future. Our use of SUDS will help to mitigate flood risk damage on our properties. Across our sites we promote public transport use, create cycle paths and walkways to encourage residents to reduce car use and we undertake biodiversity improvements to improve the environment.	An environmental appraisal is integrated into all site decision making, and we engage with stakeholders to ensure best practice and to identify new opportunities. This improves the desirability of our sites, driving land values higher.
Resilience: By accelerating the transition to low carbon energy generation as part of our commercial build specification alongside greater energy efficiency across our developments, we can improve energy security, reducing emissions whilst mitigating the impact of energy price rises and volatility. We have completed whole life carbon assessments on our Investment Portfolio assets which will inform better our asset management plans to upgrade assets providing resilience.	Our Energy & Natural Capital strategy aims to leverage energy generation and storage opportunities across our portfolio. We continue to review the portfolio to identify these opportunities.
Energy efficiency: Reducing energy consumption through low carbon transport, encouraging flexible working and energy-saving measures such as timed and LED lighting.	As part of our NZC pathway, we are introducing several measures to improve energy efficiency, which will reduce costs and improve productivity.
Energy source: Our portfolio is well-placed to meet increased demand for land for renewable energy schemes and offsetting, particularly on parts of our sites where other types of development would not be viable. The scale of our sites means it is often easier and more cost effective to implement on-site renewable energy generation than in other settings where space is more constrained, such as urban areas.	As part of our Energy & Natural Capital strategy, the role of our Natural Resources team has evolved to support all areas of the business in identifying opportunities to introduce energy generation and storage into our schemes, providing additional revenue streams and an opportunity to offset emissions from within our portfolio.

Impact of a 4°C scenario

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

Medium-term risks (2028–2040)

2°C scenario

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

The development of carbon taxes may increase the costs of remediating and preparing strategic land sites, due to the amount of energy required. This could impact the viability or profitability of progressing some sites through the planning system, and, therefore, the valuation of our land bank.

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

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

Impact of a 4°C scenario

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

Medium-term opportunities (2028–2040)

2°C scenario

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

Impact of a 4°C scenario

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

Long-term risks (2040–2060)

2°C scenario

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

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

Task Force on Climate-Related Financial Disclosures continued

Impact of a 4°C scenario

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

Long-term opportunities (2040–2060)

2°C scenario

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 continuing to update the design of its developments will allow us to be at the forefront of these needs, making our sites more attractive. There is also the potential for technological advances to make future-proofing of buildings more cost effective, thereby reducing the costs of adaptation.

Impact of a 4°C scenario

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

Conclusions of risks and opportunities analysis

Our assessment of climate risks and opportunities in the short, medium and long-term, using different global temperature rise scenarios, has concluded that, based on information currently available, the Group's strategy is set up well to manage risks, mitigate impacts on the business, strategy and financial planning, and enhance the business as opportunities arise. Although the impact could be high under certain scenarios, our approach to masterplanning our sites and development will allow us to reflect changing environmental conditions and underpins the resilience of the business model to climate-related risks.

Risk management

Identifying and assessing portfolio-level risk

The Board reviews the Group's principal and emerging risks formally at the half-year and year-end, and monitors the profile of these risks throughout the year.

'Net Zero Carbon pathway' is considered by the Board to be a principal risk for the Company. 'Climate change and biodiversity adaptation and resilience' and 'Creating sustainable communities' are considered to be operational risks. All are monitored and managed through the Group Risk and Assurance Map ('GRAM').

The GRAM is our principal tool for monitoring the risk profile of the business, the measures in place at an operational level for mitigating and managing risk, the effectiveness of those measures via an assessment of key risk indicators, and the adequacy of the assurance given to the management team and Board about risk management. It is a dynamic document and remains subject to continuous review and evolution. The GRAM is also used to monitor emerging regulation. Further information on the GRAM can be found on page 48.

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

Identifying and assessing asset-level risk

All business cases and project appraisals must factor in the environmental risks inherent in each project. Currently, these are largely qualitative assessments, but it is our ambition to begin quantified measurement of their impact for acquisitions and direct development from 2025 onwards.

Managing risks

Portfolio-level risk management is undertaken through the GRAM, informed by ongoing monitoring of portfolio-specific data, investor and other stakeholder expectations and market developments.

The Company engages closely with industry bodies such as the UK Green Building Council and receives periodic updates on sector activity from its ESG consultant. At an asset-level, risk management is undertaken through project appraisals and site reports.

Steps taken to manage and mitigate our Climate transition risks:

- One of our key strategic objectives is to transition our Investment Portfolio to modern Grade A
- We have developed a commercial building specification: 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 48 to 60.

Metrics & targets

Metrics used to assess climate-related risks and opportunities

	Current metrics used	2023	2022	Target
Transition risks	GHG emissions data: Scope 1, Scope 2 and most categories of Scope 3 emissions	GHG emissions data can be found in our Streamlined Energy and Carbon Reporting disclosure on pages 68 and 69.		
	% Investment Portfolio that is EPC Grade C or above	75%	66%	100% by 2027
	Proportion of commercial building space developed in the year incorporating renewable energy provision	100%	– [1]	100% each year
	Proportion of energy consumed by Harworth operations[2] that is generated from renewable sources	70%	– [1]	100% by 2025
	Proportion of Group targets for our annual bonus scheme for all employees relating to ESG factors	10%	10%	n/a
	Score achieved for the ESG element of our Group targets	100%	90%	At least 50%
Physical risks	Proportion of development taking place on land designated by the Environment Agency as flood zone 1 (low probability) or flood zone 2 (medium probability) following any mitigation measures	100%	100%	Maintain at 100%
Opportunities	% Investment Portfolio that is Grade A[3] at year-end	37%[4]	18%	100% by 2027
	Acreage of Harworth-owned land used for sequestration or offsetting	120 acres	0 acres	200 acres

1 Not measured in 2022.

2 Scope 2 emissions, including consumption at company offices, landlord controlled areas of leased assets, vacant units, infrastructure, other Harworth assets and electricity used to charge EVs.

3 Grade A is a widely-used industry term that is understood to mean 'best in class' space which is new or relatively new, high-specification and in a desirable location, allowing the unit to attract a rent that is above the market average.

4 Excludes a site in Flaxby, North Yorkshire, which was previously occupied by Ilke Homes, as this was sold shortly after year-end

Further details on the methodologies used to calculate NZC targets are set out in our NZC Pathway Progress Report and methodology statement. Group targets and scores are set out in the Directors' Remuneration Report.

Additional metrics currently being explored from 2024

Transition risks:

- Data on remaining categories of Scope 3 emissions
- Cost of offsetting and kg CO_2 offset per annum

Physical risks:

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

Opportunities:

- Reduced energy use from improved energy efficiency and sourcing
- % of company shares held by ESG-focused funds

Targets to measure climate-related risks and opportunities

Harworth's Net Zero Carbon pathway is our commitment to reaching NZC by 2030 for our current SECR Operational Boundary for Scope 1, 2 and selected Scope 3 emissions, and to reaching NZC by 2040 for all emissions. More information can be found in our NZC Pathway Progress Report 2023, which is published alongside our Annual Report.

Streamlined Energy & Carbon Reporting ('SECR') disclosure

We report here our greenhouse gas emissions ('GHG') and energy consumption in compliance with the requirements of The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The GHG emissions data below relate to the year ended 31 December 2023. Emissions data from the year ended 31 December 2022 are also provided for comparison.

Unless otherwise stated, our emissions data is calculated using the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emissions factors from the UK Government's GHG Conversion Factors for Company Reporting 2023. We follow the Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance March 2019 in all instances.

Harworth uses the operational control boundary method to calculate GHG emissions, whereby we report on sources of environmental impact for areas over which we have control.

Occupiers' and contractors' individual energy usage and emissions are not included in our Scope 1 and Scope 2 reporting boundary as they are not deemed to be within our operational control, but we disclose these in the Net Zero Carbon Pathway Progress Report 2023 where we have also published an extensive methodology which outlines our approach to carbon reporting. As Harworth's operations are wholly based in the UK, 100% of our reported energy consumption and emissions relate to the UK.

During the year we made significant improvements to our data collection processes, which have enabled us to capture a more accurate and complete data set for the prior year (2022) as well as the current year. As a result, we have restated the prior year figures to allow a year-on-year comparison. Notable improvements to our reporting include the inclusion of Water Treatment, Public Transport (2023 only) and the use of AIB UK Residual Grid Factors to calculate Market Based emissions and renewable energy exports. More information on our approach can be found in the Net Zero Carbon Pathway Progress Report 2023.

Progress in 2023:

Total	Scope 1	Scope 2	Scope 3
• Overall reduction in Location Based emissions of -24% and Market based of -33% in 2023. • Overall reduction in Total Scope 1 & 2 kWh of -19% year on year. • We have undertaken CRREM assessments across our portfolio in order to better understand the energy efficiency of our buildings.	• Significant reduction in site fuel emissions driven by the use of alternative fuels at our Ironbridge site. • Commencement of our transition from diesel to electric leased vehicles and the associated impact on Leased Vehicle emissions.	• We have began to transition our electricity procurement to REGO backed green electricity, thus reducing our market based emissions, and will continue this approach in 2024.	• Electric vehicles' share of expensed personal vehicle travel increased from 7% to 15% year-on-year as a result of our onsite EV chargers and use of the electric vehicle salary sacrifice scheme. Despite an increase in staff headcount year-on-year, our business travel emissions from personal vehicles remained flat. • Expansion of reporting to include Water Treatment and Business Travel - Public Transport.

Greenhouse Gas Emissions (tCO_2e)

		2023	2022
Scope 1	Site Fuel[1]	70	317
	Natural Gas[2]	80	85
	Leased Vehicles[3]	12	18
	Total	**161**	**419**
Scope 2[4]	Location Based	470	468
	Market Based	651	884
Total Scopes 1 & 2	Location Based	**631**	**887**
	Market Based	**813**	**1,303**
Selected Scope 3	Business Travel[5]*	116	111
	Homeworking[6]	27	26
	Waste Disposal[7]	2	2
	Water Supply	13	10
	Water Treatment	14	18
	Total	**171**	**167**
Total Emissions	Location Based	802	1,054
	Market Based	984	1,470
Renewable Energy Exported to the National Grid[8]		-5	-5
Total Net Emissions	Location Based	**797**	**1,049**
	Market Based	**978**	**1,464**
Energy Consumption (kWh)			
Scope 1		**1,174,929**	**1,824,142**
Scope 2		**2,268,274**	**2,420,315**
Total Scopes 1 & 2		**3,443,203**	**4,244,457**
Revenue Intensity Ratio			
Total Location Based Scopes 1 & 2: tCO_2e / £m Rev		**8.71**	**5.32**

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

2 Includes consumption at company offices, landlord controlled areas of leased assets, vacant units, and other Harworth assets.

3 Fuel used in vehicles leased by Harworth.

4 Includes consumption at company offices, landlord controlled areas of leased assets, vacant units, infrastructure, other Harworth assets and electricity used to charge EVs.

5 Includes business travel in all employee-owned vehicles and public transport (2023 only). Where possible we have used vehicle specific CO_2e emission factors to increase accuracy of reporting. Business Travel does not include employee commuting to principal place of work.

6 Working hours from home for all employees.

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

8 Energy produced and exported to the national grid by the solar PV panels at Harworth's head office, Advantage House.

* Includes 5.5tCO_2e of Public Transport not included in 2022 figures.

The Harworth Way

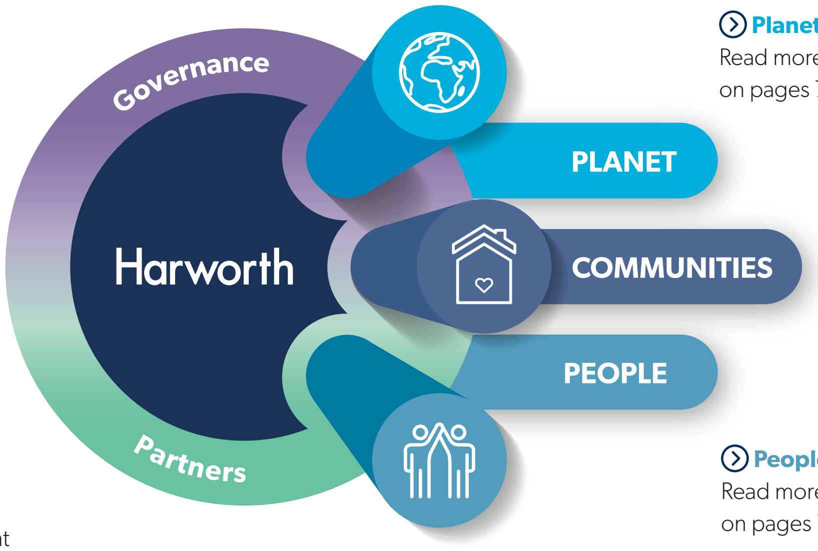
Our integrated approach to sustainability and social value

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

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

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

Governance
Read more in the Governance Report on pages 79 to 145



Planet
Read more on pages 72 and 73

Communities
Read more on pages 74 and 75

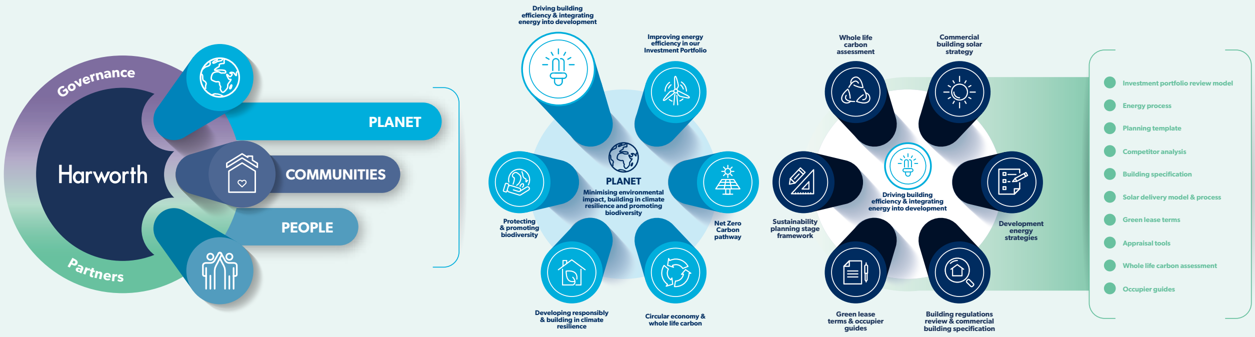
Partners
Read more in the Section 172 statement on pages 42 to 47

People
Read more on pages 76 and 77

The Harworth Way model

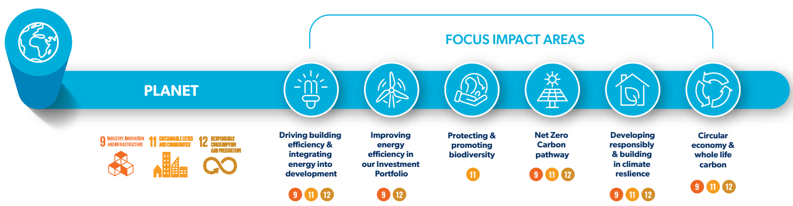
The Harworth Way provides an overarching framework to deliver an integrated approach to sustainability across the business through the interlocking model.

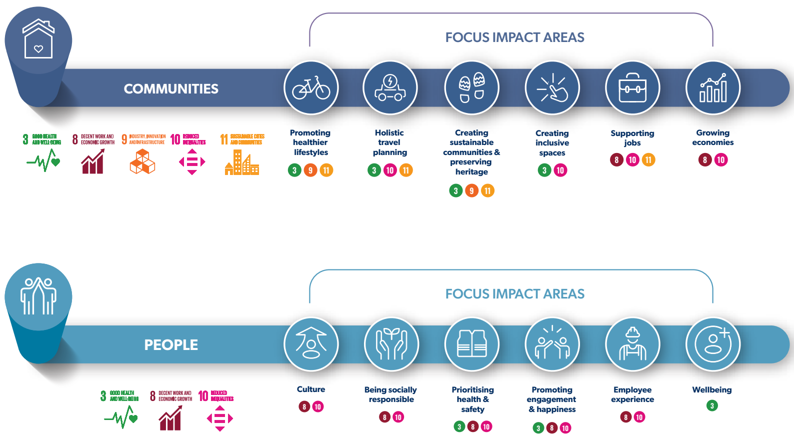
The Harworth Way has three impact pillars which each comprise six focus impact areas, representing the key drivers for delivering each pillar. Each focus impact area is divided further into building blocks, which are the key workstreams to be undertaken within the business, in order to deliver a set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



Delivering for our planet, communities and people

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





The Harworth Way continued

Planet

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

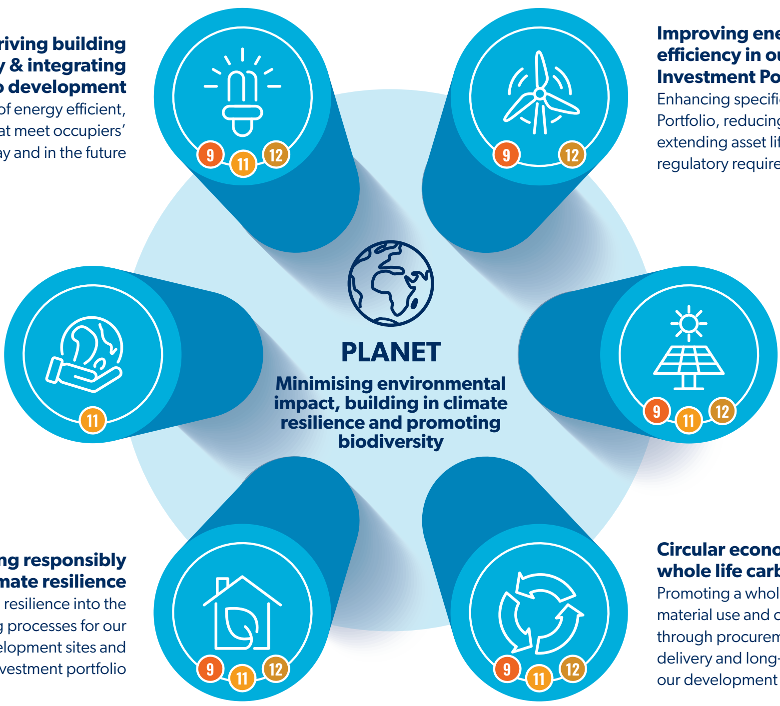
We align to our NZC commitments in the way we design and deliver both our infrastructure-led masterplans and the individual buildings within them, by focusing on building efficiency and integrating renewable energy into our developments.

We also continue to promote innovation by using circular economy principles in our role as master developer, with an emphasis on maximising the recycling of materials and minimising the use of raw materials.

FOCUS IMPACT AREAS

Driving building efficiency & integrating energy into development
The delivery of energy efficient, resilient buildings that meet occupiers' demands today and in the future

Improving energy efficiency in our Investment Portfolio
Enhancing specifications in our Investment Portfolio, reducing environmental impact, extending asset lifespans and exceeding regulatory requirements



Protecting & promoting biodiversity
Integrating biodiversity into our entire masterplan process to ensure our developments are nature positive

Net Zero Carbon pathway
Our approach to our NZC commitments for Scope 1, 2 and 3 business travel by 2030 and all emissions by 2040

Developing responsibly & building in climate resilience
Building climate resilience into the decision-making processes for our masterplans, development sites and investment portfolio

Circular economy & whole life carbon
Promoting a whole life approach to material use and carbon emissions through procurement, innovative design, delivery and long-term stewardship of our development projects

For more details on progress with our NZC Pathway, please refer to our NZC Pathway Progress Report for 2023.

Driving building efficiency & integrating energy into development

During the year we continued to incorporate renewable energy into our industrial & logistics buildings through the provision of rooftop solar panels. We have worked with occupiers to build in flexibility for future expansion of the systems through additional panels and battery storage capability.

In total in 2023 we provided rooftop solar at 13 buildings across three sites, amounting to 1,420KWp of power from 6,900 square metres of solar panels.

There is the potential to expand this system to cover over 38,000 square metres, and we will explore these opportunities further with occupiers.

Also during the year, we rolled out comprehensive green lease and power provision agreements to all new occupiers, which commit both Harworth as owner as well as the occupier, to share data and undertake specific responsibilities to monitor and reduce carbon emissions.

Improving energy efficiency in our Investment Portfolio

During the year we undertook a site review of all physical assets, the activities of our occupiers and a technical analysis within our Investment Portfolio.

This review included a Carbon Risk Real Estate Monitor ('CRREM') assessment of the emissions performance of each physical asset in the portfolio against the 1.5°C pathway for emissions reduction, based on the UK Government's 2050 NZC target date.

The outcome of the process will form the basis of an asset-by-asset plan that baselines emissions based on energy use, occupancy and the current physical nature of the building.

By mapping the emissions performance against the 1.5°C pathway, we can determine the individual measures required to improve emissions to meet this target by 2050.

Net Zero Carbon pathway

As part of our commitment to be operationally NZC by 2030 we have implemented a range of measures that have led to an overall reduction in emissions by 24% from 1,054 tCO_2e to 802 tCO_2e:

Alternative fuels: the transfer of our pulverised fuel ash ('PFA') recovery plant at Ironbridge from diesel to hydrogenated vegetable oil ('HVO'), leading to a 69% equivalent reduction in emissions for the site operations.

Electric vehicle uptake: an increase in electric vehicle use from 6% to 14% of our total business travel over the course of the year, and a decrease in diesel vehicle use from 49% to 37%. These factors combined led to an overall 2% reduction in business travel emissions year on year against the backdrop of a slight increase in staff numbers.

More information can be found in the SECR disclosure on pages 68 and 69.

Circular economy & whole life carbon

Case study: Simpson Park

At our Simpson Park site in Nottinghamshire, we are taking a holistic approach to material re-use and applying circular-economy principles in the regeneration of the former Harworth Colliery into a new community of up to 1,300 homes.

We have an objective of complete material re-use for the project, achieved through:

- 100% re-use of 300,000 square metres of soil during earthworks
- leaving development platforms 600mm below finished floor level to minimise the volume of housebuilder waste materials
- storing housebuilder waste materials from earlier phases to be used in the earthworks for subsequent phases
- the use in landscaping of soil deemed unsuitable for engineered fill

- the use by the contractor of solar energy, a smart generator/battery storage system, and a small wind turbine during construction
- the use of an electric hybrid crusher and recovery and segregation of below slab stone for use in the site's roads, meaning significant savings in carbon emissions compared to the purchase and delivery of new material to the site.

The Harworth Way continued

Communities

We aim to create, strengthen and support communities through the regeneration and development of our sites, both today and in the future. Our activities not only benefit the new communities we create but existing ones across our regions.

Our developments create economic benefit through their regenerative effects at both a local and regional level, supporting jobs, housing and investment.

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

FOCUS IMPACT AREAS

Growing economies
Measuring our regeneration impact on deprivation and the positive economic ripple effect through our supply chain, occupiers and wider stakeholders

Promoting healthier lifestyles
Masterplanning for health and wellbeing, designing & measuring the impact and social value benefit to all stakeholders

Supporting jobs
Economic and social value assessments, forecasting the local and regional economic and social impacts for each development

Holistic travel planning
Integrating the evolving needs of sustainable travel planning, working with a wide range of partners to deliver positive travel experiences & providing annual reporting on activity to inform our decision making

Creating sustainable communities & preserving heritage
Incorporating integrated neighbourhood principles alongside a mixture of tenure within our new developments, whilst driving catalytic impacts and integration beyond our development boundaries

Creating inclusive spaces
Capacity building and activating our sites by working with our communities through placemaking, events and community activities before, during and after development

For more details please read our separate Communities Framework

Creating sustainable communities & preserving heritage

Promoting healthier lifestyles

We are committed to ensuring our developments have a positive economic and social impact through supporting jobs, investment and innovation throughout our regions.

2023 saw us complete or commence construction of 380,000 sq. ft of employment space supporting thousands of high-skill jobs, as well as starting construction of Olive Lane, a new convenience retail and leisure destination at Waverley and a new school at South East Coalville, supporting further jobs in the services and construction sectors.

As in previous years, we commissioned Ekosgen, an independent economic research consultancy, to appraise the social and economic benefits of the regeneration and development Harworth has delivered and plans to deliver.

Our portfolio has the potential to:

support up to
76,500
jobs
(2022: 73,000)

deliver
£4.8bn
Gross Value Added
(2022: £4.6bn)

generate up to
£85.2m
in business rates
(2022: £82.3m)

deliver up to
£54.8m
in council tax receipts
(2022: £56.1m)

Supporting jobs

At our Riverdale Park development in Doncaster, we worked with Mosodi to develop a holistic travel plan to help residents to travel sustainably and conveniently within the local area and beyond. This included providing resident travel packs that were delivered to each home at the development, offering one-to-one travel advice and discounts on public transport.

We also established links with Enterprise Car Club as well as local cycle and running retailers. At a local authority level, we met regularly and established strong relationships with Doncaster Council and Travel South Yorkshire, to improve bus connections to the site.

Holistic travel planning

Case study: Waverley: Learn-to-ride cycle track

In September, we opened a new learn-to-ride cycle track at our Waverley development in Rotherham, with a ribbon cutting by triple Olympic champion Ed Clancy, who grew up in the area and serves as Active Travel Commissioner for the South Yorkshire Mayoral Combined Authority. The project was jointly funded by Harworth and a £45,000 grant from Places to Ride, a partnership between British Cycling, the Department for Digital, Culture, Media & Sport ('DCMS') and Sport England.

The learn-to-ride cycle track sits at the heart of the Waverley site, providing a safe, fun and traffic-free environment for children to learn to ride a bike and progress skills before venturing onto Waverley's connecting cycle paths and roads. It will eventually form part of Highwall Park, a planned 1.5km green space connecting the AMP to the Waverley lakes. Harworth sponsored a series of free workshops at the track during the October 2023 half term. Facilitated by Tuff Riders, the workshops included expert guidance from certified instructors, tailored sessions for all skill levels and exciting activities designed to boost confidence and develop essential bike handling skills.

The Harworth Way continued

People

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

We have embedded a "One Harworth" culture throughout our business. This underlines our collaborative approach to delivering and managing our sites and succeeding as one team.

Our culture is underpinned by the three Harworth values: taking pride in our people & partnerships, delivering creative solutions, and acting with integrity & trust.

FOCUS IMPACT AREAS

Culture
Driving a high-performance culture with highly motivated employees, which attracts and retains the best talent, enables better performance and delivers better outcomes for our people and the people we serve

Being socially responsible
Promoting a corporate character with a strong desire to help each other, our communities and our planet

Prioritising health & safety
Active management of risks across our business and development activities ensuring the health & safety of our people, contractors, communities and wider stakeholders

Promoting engagement & happiness
Providing workplace conditions that are fully aligned with the needs of our people, demonstrating a positive, causal link between being happy and high performance

Employee experience
Enabling everyone to realise their potential by consistently delivering a great employee experience through a progressive, transparent, equitable and inclusive approach

Wellbeing
Putting wellbeing at the heart of our business success by creating a healthy workplace where colleagues feel comfortable in their job, have meaningful professional relationships and take pleasure in their work

Culture

Our culture is formed by everyone at Harworth. We know through employee feedback that Harworth has a positive culture, and we are aware that as we grow, we want to be proactive in defining how it needs to evolve whilst preserving all that is great about the business.

For this reason, during 2023 we reviewed and started to refresh our vision, values, and behavioural competency framework, which will be embedded throughout 2024.

The first stage of the project "Insight Phase" was completed in 2023 and concluded that there are many widely shared deep-rooted behaviours within Harworth that are helpful and uniquely special which we need to hold onto in the future. This can be summarised as: being proud of our purpose; a deep internal commitment to Harworth; and our success being built on collaboration between teams. We will ensure that these principles are embedded into our new framework.

Being socially responsible

We are committed to supporting local charities and community groups, and make it as easy as possible for staff to volunteer and fundraise for causes that matter to them. During the year we donated £33,000 and our staff volunteered for 241 hours to support:

36 charities

8 charity events

20 community initiatives

6 local clubs

In 2024, we will be reviewing our charity policy to make it even easier for staff to support charities that are personal to them. As part of this, we will be reviewing our policies around taking time off for volunteering as well as refreshing our internal communications around charity work to make it more prominent and inspiring for colleagues.

Our newly formed placemaking team will help to further strengthen the community events and activities that we offer across our development sites, which includes working more closely with local schools and community groups.

Prioritising health & safety

Wellbeing

Our Environment, Health & Safety ('EHS') team ensures that health & safety is embedded into all our activities. During the year mandatory health and safety training was delivered to all employees in the form of half-day interactive training sessions, which included training on mental and physical wellbeing.

We have a panel of four EHS consultants that advise across our portfolio. These consultants focus on EHS at our Major Development sites, including management of consortium meetings between Harworth and its stakeholders, such as contractors and local authorities.

There was one accident involving Harworth personnel during the year, which was a road traffic incident. There were no accidents involving a contractor under Harworth supervision.

Where we have appointed a Principal Contractor under the Construction Design and Management 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 Project Managers. There were no RIDDOR accidents on an area of our site for which our contractor had responsibility for health & safety.

During the year, Harworth migrated to a cloud-based reporting system for inputting, actioning and monitoring events across our sites. This system is also used for inputting and actioning EHS audits and inspections.

During the year, we trained further Mental Health First Aiders and also held financial wellbeing workshops tailored to different career life stages, as well as introduced a monthly Wellbeing Bulletin.

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

Chris Birch
General Counsel and Company Secretary
18 March 2024

Governance Report

Contents

Governance at a glance

A snapshot of our leadership and the Board's focus in 2023

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

Board composition statistics

Independence

Chair	1
Executive Directors	2
Independent Non-Executive Directors	5
Non-Executive Directors	2

Tenure

0–3 years	1
3–6 years	7
6+ years	2

Gender diversity

Female	6
Male	4

How the Board spent its time this year

Operations and governance

The Board supported changes to the framework of operational delegated authorities, and, in accordance with the Board Reserved Matters Policy, appraised underwriting proposals for all new sites and direct development projects.

People and culture

The Board received regular feedback from the Chief Executive on people matters, it reviewed talent management and people development plans, and undertook Board/employee engagement activities.

Strategy

The Board reviewed progress against the strategic objectives and engaged with management in the further development of the Company's strategy during the annual Strategy Day.

Financial

The Board approved the 2022 full-year and 2023 interim results announcements and the 2023 budget. The Board monitored performance against this budget throughout the year, including periodic reforecasts, and reviewed a draft budget for 2024.

Stakeholder engagement (excluding people)

The Board engaged with the evolution of the stakeholder engagement strategy, with a particular focus on local and central Government stakeholders. In respect of investors, the Board received regular reports from the Head of Investor and Stakeholder Relations, reviewed feedback from the results roadshows and the Capital Markets Day, and reviewed an investor relations plan for the year.

Risk management

The Board participated in two risk workshops, which identified changes in the profile of our principal risks, and monitored the status of these risks throughout the year.

Sustainability

Sustainability is a key consideration in all underwriting proposals. The Board also received an annual update from the Director of Sustainability.

Board and Committee meetings[1]

Name	Board	Rem Co	Audit Co	Nom Co	ESG Co
Alastair Lyons	10/10	4/4		1/1	4/4
Lynda Shillaw	10/10			1/1	4/4
Kitty Patmore	10/10				4/4
Angela Bromfield	9/10	4/4		1/1	4/4
Ruth Cooke	9/10		5/5	1/1	
Lisa Scenna	10/10	4/4	5/5		
Patrick O'Donnell Bourke	10/10		5/5		
Marzia Zafar	8/10				3/4
Steven Underwood	10/10				
Martyn Bowes	9/10				4/4

1 There were 10 scheduled Board meetings, including the Strategy Day, during 2023. There were also Board calls to sign off the 2022 full-year results, and to approve certain transactions, which are not reflected in the table above.

Chair's introduction

"The Board remains confident that, with the support of an established and effective corporate governance structure, the business is well placed to navigate challenges and capitalise on opportunities through the property cycle in pursuit of its strategic objectives."

Alastair Lyons
Chair

Dear shareholder,

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

Having agreed the strategy proposed by Lynda Shillaw in 2021, following her appointment as Chief Executive in November 2020, the Board has, over the past year, maintained its oversight of the progress being achieved by the Company towards achieving its strategic objectives, notably to grow Harworth to £1bn of EPRA NDV* by the end of 2027. Through the management reports to the Board and the detailed scrutiny undertaken by the Board committees, the Board sought to uphold high standards of corporate governance and ensure that the Company meets its legal and regulatory obligations. The Company made notable progress in the key areas outlined below, notwithstanding that a challenging and uncertain macroeconomic and geo-political environment persisted throughout the year. The Board remains confident that, with the support of an established and effective corporate governance structure, the business is well placed to navigate challenges and capitalise on opportunities through the property cycle in pursuit of its strategic objectives.

The areas identified below are developed in more detail in the Strategic Report (pages 01 to 77) and in the balance of this Corporate Governance Report, which comprises: the Statement of Corporate Governance, the Nomination Committee Report, the Audit Committee Report, the ESG Committee Report, the Directors' Remuneration Report, the Directors' Report, and the Statement of Directors' Responsibilities.

Our strategy

When formulating our strategy, our Executive team recognised that the aim of growing the business to £1bn of EPRA NDV* would require material shifts in the pace and scale of what we do. The Board endorsed, and during the period has supported, this change, following due consideration and discussion, by agreeing the following operational decisions:

- To complete several acquisitions to grow our strategic landbank.
- To commence a combination of build to sell, pre-let and speculative direct development projects, to unlock additional value from our industrial & logistics pipeline, while maintaining a measured exposure to development and letting risk.
- To launch an affordable housing portfolio of sites to diversify the range of products we offer on our residential development sites.
- To progress our single-family Build-to-Rent ('BTR') initiative.
- To launch a pilot, on certain sites, for the construction of our NZC homes product, Coze Homes.
- To sell certain of the secondary assets within our Investment Portfolio as we reposition the portfolio to modern Grade A.

Sustainability

Harworth's commitment to sustainability is embedded in the Group's culture, strategy and operations as we continue to focus on making a lasting positive impact on the planet and the communities in which we operate. Our longstanding approach was first articulated as The Harworth Way in 2019, and, in 2021, we established our ESG Committee and introduced an ESG measure into the Group targets for our annual bonus scheme for all employees. In 2022, we appointed Harworth's first Director of Sustainability, and, in April 2023, we published our Net Zero Carbon Pathway.

During the period, several elements of the Harworth Way have evolved. These include the growing maturity of the "Planet" pillar and the expansion of the "Communities" pillar. See further on pages 70 to 77, and see also the NZC Pathway Progress Report for 2023 and Communities Framework, which have both been published alongside this Annual Report and can be found on the Company's website.

Risk and assurance

During the year, the Board participated in two risk workshops, which identified changes in the profile of our principal risks, and continued to monitor the status of these risks. The Board remains confident in the resilience of Harworth's business model, financial position, and risk management systems. A detailed explanation of those systems, the principal risks and uncertainties affecting the Group including the changes alluded to above, and the steps we are taking to mitigate these risks, can be found on pages 48 to 60.

An internal audit function was established at the start of 2023 to reduce our reliance on external review of the effectiveness of our internal controls and an internal audit plan was followed by this new function in 2023. A detailed plan for 2024 and outline plans for 2025 and 2026 have been agreed with the Audit Committee, and we have transitioned to a new co-source internal audit partner, RSM, to support delivery of the same. At the start of 2024, we further strengthened our risk management resources by recruiting an Enterprise Risk Manager. She will perform a second-line assurance role supporting our risk owners in identifying and appraising operational risks; setting risk appetite; developing operational and compliance controls; and designing risk reporting. This new role will also support the Board in its ongoing assessment of principal risks. The establishment of internal audit and enterprise risk functions over the last 12 months has formed part of our preparation for the implementation of planned governmental audit and corporate governance reforms, but also represent important milestones for the business, reflecting the increasing maturity of our governance. See further details in the Audit Committee Report on pages 112 and 113.

People, remuneration, and culture

Employee engagement is always high on the Board's agenda, with the Board undertaking regional and site visits, joining employees for informal lunches and dinners, and continuing to receive feedback from the Chief Executive on matters affecting our people at each Board meeting. We also hold an Employee AGM biennially, with the next one taking place at the end of April 2024.

At the start of the year, the Board was acutely aware of the cost-of-living crisis and sought to provide support to those employees for whom the burden was most challenging. Having made a one-off non-contractual payment of £2,000 in December 2022 to all employees (excluding the Executive), in Q1 2023 the Remuneration Committee approved variable salary increases relative to role seniority, with employees on lower salaries receiving proportionately higher increases. The Committee also continued to support the extended application of both the all-employee Share Incentive Plan and the discretionary Restricted Share Plan, to promote share ownership throughout the workforce, aligning the interests of employees and shareholders, while also allowing employees to share in the future success of Harworth. Furthermore, the Committee endorsed the development of a new employee Reward Policy, which was implemented in Q4 2023. This Reward Policy formalises our approach to all aspects of pay and benefits, providing a transparent framework for the application of the Remuneration Policy, which is cascaded throughout the business.

During 2023, and into the first half of 2024, we have undertaken a full in-depth cultural review with the aim of continuing the positive evolution of our culture and its alignment with the business strategy, while ensuring we continue to provide an outstanding employee experience. This review has sought input from colleagues across all areas of the business and will result in a refresh of our Harworth Group values, which will be embedded during 2024. We will report on the culture review process and outputs in the 2024 Annual Report.

Board composition

The Nomination Committee regularly reviews the composition of the Board and its Committees. In 2023 the Committee concluded that the composition of the Board was appropriately balanced, and, on the recommendation of the Committee, the Board proposes the re-election of all Directors at the 2024 AGM.

Steven Underwood joined the Board on 2 August 2010 and was formerly a representative Director of the Peel Group, a material shareholder of the Company. Following the reduction of Peel Group's shareholding, Steven has remained on the Board in a personal, rather than representative, capacity enabling the Company to continue to benefit from his extensive experience in real estate development in the north of England. Steven has been proposed for re-election at the 2024 AGM but will stand down with effect from 31 December 2024, given that by then he will have served almost 14 ½ years as a Director. During the second half of 2024, the Nomination Committee will recruit another Non-Executive Director to maintain an appropriate mix of skills, experience and knowledge on the Board once Steven has retired. When made, such an appointment will be announced in accordance with Listing Rule 9.6.11.

Board performance review

I led an internal review of the Board's effectiveness in Q4 2022 and an action plan to implement recommendations was agreed by the Board in early 2023. The progress on these recommendations is summarised in the Statement of Corporate Governance on pages 96 and 97. Following this latest internal review, the Board agreed that the review process would be most effective if undertaken following each Board Strategy Day. As the 2023 Strategy Day took place shortly after the outcomes of the 2022 evaluation were reviewed by the Board, it was agreed that the next internal review would take place following the 2024 Strategy Day. The outcomes from this review will be reported in the 2024 Annual Report.

Annual General Meeting

Our AGM will be held at 2:30pm on Monday 20 May 2024 at The Brearley Room, AMP Technology Centre, Advanced Manufacturing Park, Brunel Way, Waverley, Rotherham, S60 5WG. I along with the Chief Executive, Chief Financial Officer and Company Secretary will be at this location in person, with our other Directors joining online. I very much look forward to welcoming shareholders to the meeting.

Alastair Lyons
Chair

18 March 2024

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

Board of Directors

Alastair Lyons

Chair

Date of appointment
07/03/2018

Length of service
6 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 Chair of Vitality UK.

Lynda Shillaw

Chief Executive

Date of appointment
01/11/2020

Length of service
3 years 5 months

Independent
No

Committee Membership

N E D

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

Lynda was a Non-Executive Director of The Crown Estate from 2018 until 2021, and a Non-Executive Director of Vivid Housing Association from 2017 to 2023. She currently chairs the BPF Regional Policy Committee.

External appointments
None.

Katerina (Kitty) Patmore

Chief Financial Officer

Date of appointment
01/10/2019

Length of service
4 years 6 months

Independent
No

Committee Membership

E D (Chair)

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

Kitty is also a Non-Executive Director of LondonMetric Property plc and since July 2023 she has chaired its Audit Committee.

External appointments
Non-Executive Director of LondonMetric Property plc.

Key

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

Angela Bromfield

Senior Independent Director

Date of appointment
01/04/2019

Length of service
5 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, is the designated employee engagement NED, and is a member of the ESG, Nomination and Audit Committees. Angela is also a Non-Executive Director at C&C Group plc, where she chairs the Remuneration Committee and is a member of the Nomination Committee. Between 2016 and 2022, Angela was a Non-Executive Director at Churchill China plc.

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 Tarmac Group, Premier Farnell plc and ICI plc.

External appointments
Non-Executive Director of Marshalls plc and of C&C Group plc.

Patrick O'Donnell Bourke

Non-Executive Director

Date of appointment
03/11/2020

Length of service
3 years 5 months

Independent
Yes

Committee Membership

A (Chair)

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

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

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

Ruth Cooke

Non-Executive Director

Date of appointment
19/03/2019

Length of service
5 years 1 month

Independent
Yes

Committee Membership

N A

Skills and Experience
Ruth is currently Chief Executive of GreenSquareAccord, a housing association operating across the North, Midlands and South West. Before that, she was Finance Director (from 2008 to 2012) and then Chief Executive (from 2012 to 2018) of Midland Heart, a Birmingham-based housing association. Prior to that, she held senior finance and resourcing roles at Knightstone, a housing association based in the South West, and Anchor Trust, a provider of housing and care to those aged 55 and above. Ruth has held a number of voluntary and non-executive positions in the social housing and retirement community sector. In September 2023, she was appointed a Non-Executive Director of the National Housing Federation. She is also an Associate of the Institute of Chartered Accountants and a corporate treasurer.

External appointments
Chief Executive of GreenSquareAccord. Non-Executive Director of the National Housing Federation.

Board of Directors continued

Lisa Scenna

Non-Executive Director

Date of appointment
01/09/2020

Length of service
3 years 7 months

Independent
Yes

Committee Membership

R A

Skills and Experience
Lisa is a Non-Executive Director of Genuit Group plc, where she is the Senior Independent Director, chairs the Remuneration Committee and is a member of the Nomination and Audit Committees. She is also a Non-Executive Director of Cromwell Property Group, an Australian listed company. In March 2023, Lisa was appointed as a Board member of one of Dexus's fund management platforms (based in Australia), and in May 2023 she was appointed a Non-Executive Director of Gore Street Energy Storage Fund plc, where she is a member of the Audit, Remuneration, Nomination and Management Engagement Committees.

Lisa has over 30 years' experience working at executive level in large multinational corporations, with a strong background in real estate development and asset management.

External appointments
Non-Executive Director of Genuit Group plc and of Gore Street Energy Storage Fund plc. Non-Executive Director of Cromwell Property Group (listed in Australia). Board member of one of Dexus's fund management platforms (based in Australia).

Marzia Zafar

Non-Executive Director

Date of appointment
01/06/2022

Length of service
1 year 10 months

Independent
Yes

Committee Membership

E

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

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

External appointments
Deputy Director for Strategy & Decarbonisation at Ofgem.

Martyn Bowes

Non-Executive Director

Representing the Pension Protection Fund

Date of appointment
24/03/2015

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

Length of service
9 years 1 month (11 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.

Key

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

Steven Underwood

Non-Executive Director

Date of appointment
02/08/2010

Length of service
13 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
7 years 10 months

Independent
No

Committee Membership
D

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

External appointments
None.

Statement of corporate governance

The UK Corporate Governance Code

In January 2024, the FRC published a revised version of the UK Corporate Governance Code, which will apply to Harworth from 1 January 2025. In the meantime, the Company is subject to the 2018 UK Corporate Governance Code (the 'Code'). The Code can be found on the Financial Reporting Council's website at www.frc.org.uk. The Board confirms that, throughout the year ended 31 December 2023, the Company complied with the principles and provisions set out in the Code.

Below we outline the primary areas the Board focused on during the year to ensure compliance with the main principles of the Code.

Code	What did we focus on in 2023?	How did it support our strategy?	See further
Board Leadership and Company Purpose	The Board continued to review progress made by the Executive team in delivering against the four pillars of our growth strategy, our aim being to grow Harworth to £1bn of EPRA NDV*, notwithstanding the backdrop of a persistently challenging and uncertain macroeconomic and geopolitical environment.	The Board reviewed and contributed to the development of further elements of the strategy for Harworth's long-term growth and success. These focused on key acquisitions to grow the pipeline, the delivery of our mixed tenure products, the transition of our Investment Portfolio to Grade A via sales and development, the formulation of our Net Zero Carbon Pathway, and the ongoing progression of our people strategy.	Statement of Corporate Governance, pages 87 to 92
Division of Responsibilities	We reviewed our delegated authorities framework with some changes to the Board Reserved Matters Policy and Operational Approvals Policy, enabling effective decision making at appropriate levels. These revisions allow the Board to focus more of its time on strategic discussion and debate and increase the ability of executive management to respond as matters arise in a rapidly changing external environment.	More time is afforded for the Board to review the potential impact of market developments on, and the consequent potential need for changes to, our strategy, and on material strategic transactions.	Statement of Corporate Governance, pages 92 to 95
Composition, Succession and Evaluation	An internal review of the Board's effectiveness was undertaken in late 2022, with a number of recommendations adopted during the year.	The recommendations adopted by the Board will help enhance its performance in supporting the implementation of the strategy.	Statement of Corporate Governance, pages 96 to 97
Audit, Risk and Internal Control	The Board continued to monitor closely the Group's principal risks as challenging market conditions persisted throughout the year. The Board identified a new principal risk (power infrastructure capacity) and made some changes to the profile of existing principal risks. An internal audit function was established at the start of 2023 to reduce reliance on external review of the effectiveness of internal controls. An internal audit programme, approved by the Audit Committee, was delivered to plan in 2023. In a further sign of the growing maturity of our governance, the Board supported the recruitment of an Enterprise Risk Manager who joined the business in January 2024 and will perform a "second line" assurance role.	The Board monitors a principal risks dashboard at each Board meeting, and undertakes a full review of principal risks biannually, to ensure risks are managed effectively, and opportunities are identified, in pursuit of our strategic objectives. The establishment of internal audit and enterprise risk functions provide enhanced assurance around our risk management and internal control systems to support the effective delivery of the strategy.	Audit Committee Report, pages 107 to 113 Strategic Report: Effectively managing our risk, pages 48 to 60

Code	What did we focus on in 2023?	How did it support our strategy?	See further
Remuneration	The Remuneration Committee continued to review Executive remuneration in accordance with the Remuneration Policy approved at the 2022 AGM. As part of its review of wider workforce remuneration, the Committee: • supported a proportionately higher salary increase for employees on lower salaries in response to the cost-of-living crisis in early 2023; • supported the development of a new employee Reward Policy; and • continued to support the extended application of the Share Incentive Plan and Restricted Share Plan.	Remuneration policies, practices and decisions are designed to support the strategy and promote long-term sustainable success. Executive remuneration is aligned with strategic objectives and cascaded through the business to recruit, motivate, and retain our people to deliver successfully against the strategy and to align the interests of employees and shareholders.	Strategic Report: People, pages 76 and 77 Directors' Remuneration Report, pages 116 to 138

Board leadership and Company purpose

Purpose and strategy

Harworth's Purpose: "to transform land and property into sustainable places where people want to live and work", underpins our strategy, business model and all Board activity and decisions. In September 2021, we unveiled our strategy to grow Harworth to £1bn of EPRA NDV*, and during 2023 the Board continued to oversee the progress made by the business, under the leadership of the Executive team, in delivering against this growth strategy.

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

The performance of the business is monitored by the Board throughout the year against the strategic objectives, and Board-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 on a rolling basis and the Chief Executive, Chief Financial Officer, Chief Operating Officer, Chief Investment Officer and General Counsel/Company Secretary give operational and financial updates at each Board meeting, which they all attend.

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

Statement of corporate governance
continued

Key Board activities in 2023

	Key activities and discussions	Outcomes	Future priorities	Stakeholders considered
Operational decisions in support of the strategy	The Board approved: • the launch of an affordable housing portfolio of sites • the launch of a pilot for the construction of NZC homes • several acquisitions and land assembly initiatives • sales of certain secondary assets within the Investment Portfolio. The Board also held a Strategy Day in June to advance the current strategy.	Progression of the strategy to: • broaden the range of products on our residential sites and thereby accelerate their development • maintain the size of our strategic landbank • reposition the Investment Portfolio to modern Grade A.	The Board will continue to review the progress achieved in the delivery of the strategy, as well as continue to review regularly our financial and operational performance.	All stakeholders as set out in our s.172 Statement (pages 42 to 47).
Sustainability	• The ESG Committee reviewed the evolution of the Harworth Way, with a focus on the "Communities" pillar. • The Committee also oversaw the methodology for the capture, calculation and reporting of carbon emissions data. • Following the publication of the NZC Pathway in April 2023, the ESG Committee reviewed progress against the commitments made in the Pathway. • The Board received training on Biodiversity Net Gain.	• Both the NZC Pathway Progress Report for 2023 and Communities Framework are being published alongside this Annual Report and can be found on the Company's website.	• Continue to ensure alignment between our sustainability commitments and the Group strategy. • Review progress against our Pathway to transition our business and portfolio to NZC. • Continue to oversee evolution of our ESG data collection and reporting and seek external assurance of our sustainability reporting processes.	Our people Communities Investors

	Key activities and discussions	Outcomes	Future priorities	Stakeholders considered
Risk and assurance	• The Board undertook two principal risks workshops. • The Audit Committee approved the 2023 internal audit programme to be carried out by the newly established internal audit function and monitored delivery of the programme and the implementation of recommendations and actions from each audit. • The Board supported the recruitment of an Enterprise Risk Manager, who joined the business in January 2024.	• The Board identified a new principal risk reflecting the challenges in securing adequate power capacity for development sites. The Board also reframed two existing principal risks and adjusted some residual risk scores taking account of mitigating activity – see further in the "Effectively managing our risk" section on pages 48 to 60. • The Enterprise Risk Manager will perform a "second-line" assurance role, but will also support the Board in its ongoing assessment of principal risks. • The Audit Committee reviewed the effectiveness of the internal audit function and considered it had added significant value in providing assurance on the effectiveness of the controls audited during the year.	• The Board will continue to review the status of the principal risks at each meeting and undertake a more detailed review biannually (or at any time if there are significant movements in risk profile). • The Audit Committee will continue to review outputs from the internal audit programme, supporting its assessment of the effectiveness of internal controls. • Continued evolution of the risk management system following the establishment of the enterprise risk function.	Our principal risks take account of all stakeholders as set out in our s.172 Statement (pages 42 to 47).
People strategy, including remuneration	• The Board met and engaged with staff in various formats, including employee lunches, site visits, regional team dinners, and office visits. • The Board endorsed the implementation of a new Talent and Learning & Development strategy. • The Remuneration Committee endorsed the development of a new employee Reward Policy.	• The Board's engagement with Harworth's people was especially important this year given the external uncertainty affecting employees created by the macroeconomic environment. • The Board champions the development of initiatives that support employees in respect of pay and benefits and learning and development.	• The Board will continue to be engaged with the people strategy and to optimise its informal engagement with employees to understand the prevailing culture, and their thinking and concerns. • The biennial Employee AGM is being held in April 2024, providing an opportunity for the Board to engage with the whole business. • A Remuneration Policy review will take place during H2 2024 with the new policy to be tabled for shareholder approval at the 2025 AGM.	Our people

Statement of corporate governance
continued

Key areas of Board focus in 2024

Continued oversight of implementation of our strategy, ensuring the financial and operational performance of the business remains strong	Oversight of progress against Harworth's NZC Pathway and Communities Framework, including review of targets	Recruitment process to be undertaken by the Nomination Committee, and recommendation made to the Board, for the appointment of a Non-Executive Director following the retirement of Steven Underwood
Our people: oversight of implementation of the people strategy to support delivery of the business strategy, including: recruitment, engagement, welfare, succession planning, talent development and diversity	Close monitoring of the Group's principal risks	Internal Board effectiveness review

Culture and workforce engagement – One Harworth

Our "One Harworth" culture, underpinned by the Harworth values outlined on the next page, encourages a collaborative one team approach in achieving our strategy to grow Harworth to £1bn of EPRA NDV*.

The Board seeks to promote the One Harworth approach in its engagement with our people with a view to understanding and assessing the culture of the business. It does this in the following ways:

- Meeting and engaging with staff in various formats, including employee lunches, site visits, regional and central function team dinners, office visits and the biennial Employee AGM. Not only are these opportunities for the Board to gain an insight into the work of our employees and the challenges they face, they also allow staff to ask questions of, and share feedback and raise any concerns with, the Board.
- An annual review of employee engagement presented by the Group Resources and Transformation Director, based on the annual employee survey results.
- 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 Executive the motivations for, and impact of, those departures.
- Access to the staff newsletter, which provides information on the issues, topics and activities that are important to all our people on a day-to-day basis and are critical to the positive evolution of our culture through consistent, frequent communication. This includes our monthly focus on wellbeing, a CEO update, operational highlights and achievements and a monthly "spotlight" topic.
- We have a well-established speak up and whistleblowing process that facilitates colleagues' ability to raise matters of concern more formally, and in confidence, should they wish. The Audit Committee reviews speak up reports and the process is outlined in the Audit Committee Report on page 113.

The Harworth values are the principles our employees consider most important when we go about our business. They are embedded into the business through active leadership, internal communications, appraisals, the setting and scoring of bonus objectives, and our programme of recognition. The Harworth values underpin the delivery of our strategy, by ensuring collaboration with each other and our external stakeholders, by stimulating innovation, and by encouraging employees to "do the right thing".

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

At Harworth we:

Culture in action:

The Board recognises that Harworth's people are fundamental to achieving the strategy and the continued long-term success of the business. To this end, the Board supported a new Talent and Learning & Development Strategy – the "Harworth Academy" – which supports professional development for roles at all levels and seeks to drive a skilled and engaged workforce.

The Group also promotes strong partnerships with its external stakeholders based on shared values and objectives, as set out in the Section 172 Statement on pages 42 to 47.

Culture in action:

A key driver of the Group's strategy is to broaden our range of residential products. During the year we made progress on the following:

- Our single-family BTR portfolio of sites
- The launch of an affordable housing portfolio of sites
- The launch of a pilot for the construction of our NZC homes product, Coze Homes

By diversifying the range of products on our residential development sites, we are increasing the types of homes available in the communities we help to shape while helping to address the acute supply imbalance of new homes, as well as accelerating the development of our sites.

Culture in action:

Conscious of the disproportionate impact of the cost-of-living crisis on low-income households in early 2023, the Remuneration Committee supported variable salary increases relative to role seniority, with employees on lower salaries receiving a proportionately higher increase.

This approach was in response to the high inflation at the start of the year, which has since abated. In its review of pay awards in December 2023, the Committee approved a uniform rate of increase across all roles.

Cultural review

During 2023 and into the first half of 2024, we have undertaken an in-depth cultural review with the aim of continuing the positive evolution of our culture and its alignment with our business strategy, while ensuring we continue to provide an outstanding employee experience in order to attract and retain the best talent. This review has sought input from colleagues across all areas of the business and will result in a refresh of our Harworth values, which will be embedded during the course of 2024. We will report on the culture review process and outputs in the 2024 Annual Report.

Stakeholders

Our Strategic Report outlines on pages 42 to 47 how we engage with our key stakeholders and how the Board complies with its obligations under Section 172(1) of the Companies Act.

Board independence

Conflicts of interest

Each Director must 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 conflicts of interest arise, the relevant Director may not receive Board papers and may be excluded from discussions, depending upon the nature and materiality of the conflict, and would be excluded from voting on the relevant subject matter.

Martyn Bowes is a Board representative of the Pension Protection Fund and the Board has approved any actual or potential conflicts of interest that arise as a result.

Steven Underwood is Chief Executive of Peel Group and is an Executive Director of certain Peel Group companies which may deal with Harworth at an operational level from time to time and/or may pursue certain acquisition opportunities in competition with Harworth. Steven has previously declared by way of general notice, and the Board has approved, a potential conflict of interest in that regard. During the year, two acquisitions were proposed where Peel Group owned, or held an investment in, competing sites. 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 discussions or decision making, on these matters.

Statement of corporate governance
continued

External appointments

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

The external appointments of each Board member are set out in the Director biographies on pages 82 to 85. The external appointments approved during the year are disclosed in the Nomination Committee Report on page 102.

Effectiveness of Directors

Inductions

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

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

Knowledge of business and markets

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

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

Ongoing support and CPD

All Directors have access to the advice and services of the Company Secretarial Team which 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 Assistant Company Secretary;
- external advisers host CPD workshops for the Board and Committees. In 2023 this included a briefing on Biodiversity Net Gain, and, for the Audit Committee, a series of briefings on the Government's proposals for audit and governance reforms;
- the Company Secretary provides written and verbal updates to the Board and its Committees, as appropriate, on governance and regulatory changes;
- Directors are made aware of, and have the opportunity to attend, external CPD updates; and
- the Company Secretary shares with the Board a "horizon scanning tracker", which is prepared quarterly by our in-house legal team, principally for the Group Leadership Committee, and identifies forthcoming and anticipated legal changes which will or may impact Harworth's activities.

Division of responsibilities

There is a clear division of responsibilities between the Board, its Committees, and senior management at an operational level. During the period, we reviewed our delegated authorities framework and made some revisions to our Board Reserved Matters Policy and Operational Approvals Policy. These policies reserve certain matters for the Board and ensure that operational decisions are made at the most appropriate level in the business. Our governance framework aims to support the Board in focusing on strategic proposals, while also giving it oversight of major operational projects that affect the long-term success of the business.

The delegated authorities framework is subject to annual review, led by the Company Secretary and approved by the Board, to ensure that it keeps pace with Harworth's evolving business.

The Board has delegated certain responsibilities to the Remuneration, Audit, Nomination, ESG and Disclosure Committees. The terms of reference of those Committees are reviewed annually and appear on the website: www.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 Executive, the Corporate Governance Committee, Investment Committee and Group Leadership Committee to support her in implementing the strategy. The Executive comprises the Chief Executive, Chief Financial Officer, Chief Operating Officer, Chief Investment Officer and General Counsel/Company Secretary.

The key responsibilities of the Board, Committees, and individual roles are summarised over the next three pages.

Board and Board Committees

Audit Committee

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

See pages 107 to 113 for the full report

Remuneration Committee

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

See pages 116 to 138 for the full report

The Board

Examples of matters reserved for the Board:

- Setting strategy and approval of annual budget and strategic plan.
- Oversight of the financial and operational performance and resilience of the business.
- Oversight of performance and reporting against our Sustainability Framework and NZC Pathway.
- Identification of, determination of risk appetite for, and review of measures to mitigate and manage, the Group's principal risks.
- Oversight of the appropriate regard by the Company for the interests of its stakeholders.
- Approval of accounts and dividends.
- Approval of underwriting proposals for all new sites, direct developments and development management engagements.
- Approval of Board appointments; external appointments of Directors and the Executive team.
- New or material changes to senior debt facilities.
- Oversight of the people strategy.
- Oversight of health and safety for all sites and projects.

Nomination Committee

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

See pages 98 to 106 for the full report

ESG Committee

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

See pages 114 and 115 for the full report.

Disclosure Committee

- Ensures compliance with disclosure obligations under the UK Market Abuse Regulation and the FCA's Listing Rules and Disclosure Guidance and Transparency Rules.

Statement of corporate governance
continued

Management Committees

The Chief Executive has established the following Management Committees to support her in discharging the authority delegated to her by the Board:

Executive

- Supports the Chief Executive in the day to day running of the business and the formulation and implementation of the strategy.
- Consulted on strategic and operational matters that have been delegated to the Chief Executive pursuant to the Board Reserved Matters Policy.
- Reviews the performance of the business against agreed operational and financial KPIs.

Investment Committee

- Delegated authority for material development and investment activities.
- Reviews all material projects and material departures from project plans including matters reserved for the Board before they are presented, where appropriate, for approval.
- Consulted on strategy, budgeting, people matters, transformation projects and sustainability initiatives.

Group Leadership Committee

- 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.
- Monitors the risk profile of the business.

Corporate Governance Committee

- Responsible for certain decisions of a material nature relating predominantly to resourcing and transformation, including reward, recruitment, organisation design and transformation projects.
- Monitors certain matters relating to resourcing and transformation, including the learning and development programme and succession plans.

Environment, Health, and Safety (EHS) Committee

- Senior leaders from across the business meet quarterly, and at short notice if required, with a strategic focus on EHS data (trends and areas of concern); significant incidents; internal EHS projects/initiatives, and external EHS matters (legislative horizon scanning, industry trends and/or intelligence).

Responsibilities of the Board and 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 values, strategy, and objectives.
- Ensures the Company has the appropriate leadership to achieve its strategy and objectives.
- Ensures the Board comprises diverse individuals with the necessary skills and experience to achieve the appropriate oversight of the Company's activities.
- Ensures the establishment and maintenance of an appropriate structure of governance to meet the Company's legal and regulatory obligations and ensure effective management in the interests of shareholders.
- Ensures that the Board receives regular reporting on performance.
- Ensures that Directors receive accurate, timely and clear information, and that there is adequate time available for discussion of agenda items and an effective decision-making process in place.
- Ensures there is ongoing and effective communication with shareholders, and that the Board engages appropriately with other key stakeholders.
- Ensures that the effectiveness of the Board is subject to annual evaluation, including an external evaluation every three years.

Lynda Shillaw
Chief Executive

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

Kitty Paltmore
Chief Financial Officer ('CFO')

- Leads on all financial matters, including tax and treasury.
- Responsible for preparing the annual budget and strategic plan and the maintenance of regularly updated reforecasts of the Group's financial and operational performance.
- Responsible for all statutory financial reporting, including the preparation of the interim and year-end financial statements and Annual Report.
- Responsible for ensuring the adequacy of the Group's financial resources, formulating the Group's funding strategy and raising new equity and debt capital as appropriate.
- 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 ('COO')

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

Jonathan Haigh
Chief Investment Officer ('CIO')

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

Angela Bromfield
Senior Independent Director ('SID')

- Provides a sounding board for the Chair.
- Acts, where appropriate, as an interlocutor between the Chair and other 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 the provision of secretarial resource to Board Committees.
- Ensures that all Board reserved matters are referred to the Board for review and approval.
- Advises on regulatory compliance and corporate governance.
- Responsible for the preparation of Board and Committee agendas and the collation and distribution of papers.
- Leads on arranging inductions for, and CPD of, Directors.
- Responsible for governance, both at Board and operational levels, including non-financial internal controls, systems and processes, and responsible for risk management.
- Leads the Legal, Governance, Audit and Assurance, and EHS teams.

Statement of corporate governance
continued

Composition, succession and evaluation

Composition and succession

The Nomination Committee regularly reviews the composition of the Board and its Committees. In 2023 the Committee concluded that the composition of the Board was appropriately balanced, and, on the recommendation of the Committee, the Board proposes the re-election of all Directors at the 2024 AGM.

Steven Underwood joined the Board on 2 August 2010 and was formerly a representative Director of the Peel Group, a material shareholder of the Company. Following the reduction of Peel Group's shareholding, Steven has remained on the Board in a personal, rather than representative, capacity. Steven has been proposed for re-election at the 2024 AGM but will stand down with effect from 31 December 2024, , given that by then he will have served almost 14 ½ years as a Director. During the second half of 2024, the Nomination Committee will recruit another Non-Executive Director to maintain an appropriate mix of skills, experience and knowledge on the Board once Steven has retired. When made, such an appointment will be announced in accordance with Listing Rule 9.6.11.

Board performance reiew

The Board undertakes annual reviews 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 Code for FTSE 350 companies.

The most recent external Board performance review was undertaken in the final quarter of 2021 and information about this review is included in the 2021 Annual Report on pages 98 and 99.

In the final quarter of 2022, the Chair conducted an internal review of the Board, its Committees and individual Directors. This took the form of an online questionnaire completed by all Directors and the Executive. The responses were collated to inform one-to-one meetings between the Chair and each Director and member of the Executive. The findings were reported to the Board in January 2023, where it discussed a range of possible actions to enhance its effectiveness, and in April 2023 the Executive reported back to the Board the priority actions it intended to take forward during the year. Below is a summary of the agreed actions from the review and the progress on them during 2023:

Theme	Actions agreed	Outcomes
Strategic focus	Reduce presentation of and discussion about operational detail that is not essential for the Board to make its decisions, whilst increasing time available at Board meetings for strategic discussions.	• Additional time has been allocated to the Chief Executive's update at Board meetings for a wider discussion about strategic matters. • The Finance Board report is largely taken as read with the focus of Board discussion being on material changes in forecast balance sheet and profit metrics. • Operational detail in the COO and CIO report has been reduced to focus instead on market trends, material transactions, and KPIs. • Changes have been made to the underwriting proposal template to avoid presentation of operational detail that is not material to the decision in question. • The Strategy Day commences with a session on strategic trends, which informs subsequent workshops.
Committee effectiveness	It was agreed that, to avoid duplication between the ESG and Audit Committees, the ESG Committee would have primary oversight over sustainability reporting.	• This was implemented in Q1 2023 for the 2022 Annual Report process. The ESG Committee is responsible for reviewing and seeking assurance on the Annual Report sections relating to the Harworth Way, TCFD and SECR reporting. It then makes a recommendation to the Audit Committee to inform the latter's wider review of whether the Annual Report, when read as a whole, is fair, balanced and understandable, and provides the necessary information for shareholders to assess the Group's position, performance, business model, strategy and prospects. • Furthermore, it is the ESG Committee that reviews and seeks assurance on other forms of sustainability reporting, such as the NZC Pathway and Communities Framework, before recommending the same to the Board for approval ahead of publication.

Theme	Actions agreed	Outcomes
Engagement with stakeholders	Seek opportunities for the Board to have increased interaction with external stakeholders.	• The Board were hosted by a vendor landowner as part of a site visit to a recently acquired site, who provided insight into his reasons for selecting Harworth as the preferred delivery partner. • In January 2024, the Board received an update from Harworth's brokers. • The Executive keeps under review opportunities for the Board to engage with senior leaders in local Government.
Non-financial KPIs	Agree, design, and implement a series of primarily non-financial key performance measures of Harworth's strategic delivery.	A set of key non-financial KPIs have been identified and is being reported on; these continue to be tailored over time.

Following the 2022 internal review, the Board agreed that the evaluation process would be most effective if undertaken following each Board Strategy Day. As the 2023 Strategy Day took place shortly after the outcomes of the 2022 evaluation were reviewed by the Board, it was agreed that the next internal review would take place following the 2024 Strategy Day (scheduled for June 2024). The outcomes from this review will be reported in the 2024 Annual Report.

An evaluation of the Chair's performance is led by the SID alongside each internal Board effectiveness review. Angela Bromfield met with other Non-Executive Directors and the Executive in early 2023 to review the Chair's performance. Following that review, she considered and discussed with the Chair the comments and feedback received and confirmed 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 Executive twice a year. Similar appraisals are undertaken by Executive members of the performance of their direct reports on the Group Leadership Committee.

Annual General Meeting

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

The 2024 AGM will be held at 2:30pm on Monday 20 May 2024 at The Brearley Room, AMP Technology Centre, Advanced Manufacturing Park, Brunel Way, Waverley, Rotherham, S60 5WG. Along with the Chief Executive, Chief Financial Officer and Company Secretary, I will be at this location in person, with our other Directors joining online. The Board encourages shareholders to attend, participate and exercise their right to vote at the AGM.

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

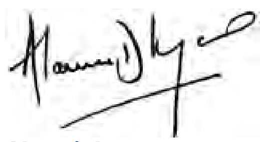
There are three ways to submit voting instructions before the meeting, which are available from the publication date of the Notice of AGM:

1. By completing and returning a paper proxy form as per the instructions on the form. Shareholders who elect to receive hard copy documents will receive a proxy form with the Notice of Meeting. Otherwise it is available from our registrars (see contact details on page 213).
2. By registering your proxy vote electronically via our registrar's website, www.sharevote.co.uk. Or, if you are registered, via the Shareview platform.
3. Via the CREST or Proxymity system for those that are users of either platform.

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.

There have been no material votes against recommended resolutions at recent AGMs. Wherever practicable, the Board seeks to ensure that shareholder views are canvassed in advance on any unusual or potentially controversial proposals. That said, if there were any significant votes against a proposal, the Board would take action to understand the reasons behind that vote and explain the same to shareholders, in line with the principles of the Code.

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



Alastair Lyons
Chair
18 March 2024

Nomination Committee Report

Committee members

Alastair Lyons (Chair)

Angela Bromfield

Ruth Cooke

Lynda Shillaw

Dear shareholder,

This report sets out the activities of the Nomination Committee during 2023 and its priorities for 2024, which focus on reviewing Board and Committee composition and succession planning to ensure a balanced and diverse Board, as well as maintaining oversight of equity, diversity and inclusion across the business.

The Committee's terms of reference, which were re-approved during the year, are available on the Company's website: www.harworthgroup.com/investors/governance/ . Throughout 2023 the Committee acted in accordance with the principles of, and fulfilled its obligations under, the Code.

Membership and meetings

There were no changes to Committee membership during the period. The Committee held one scheduled meeting during the period to review succession and development planning for the Board and Executive and to review the effectiveness of the initiatives in place to improve diversity throughout the business.

Membership and attendance at meetings in 2023 are shown below:

		Independent	Committee tenure at 31 December 2023	Scheduled meetings attended/eligible to attend
Alastair Lyons	Chair	Yes	5 years 10 months	1/1
Angela Bromfield	Member	Yes	4 years	1/1
Lynda Shillaw	Member	No	3 years 2 months	1/1
Ruth Cooke	Member	Yes	1 year 11 months	1/1

The Committee's key activities in 2023

The key activities of the Committee during 2023 are shown below:

Board composition and succession	Diversity	External appointments
Review of Board and Committee composition		
Review of succession plans for the Board and Executive		
Annual review of time commitment of Non-Executive Directors		
	Review of progress to improve diversity across the business	
		Review of proposed external appointments for Lisa Scenna, Angela Bromfield, Kitty Patmore and Ruth Cooke

The Committee's priorities for 2024

- Recruitment of successor for Steven Underwood
- Ongoing review of Board composition and succession planning for the Board and Executive
- Ongoing review of the effectiveness of initiatives to promote equity, diversity and inclusion 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 seven Non-Executive Directors, two of whom are not considered independent. Angela Bromfield continues in the role of SID.

The composition of the Board and its Committees is reviewed regularly by the Committee to ensure that, in each case, its membership provides appropriate diversity and balance of skills, knowledge, and experience and includes the right number of independent Directors. That review takes account of output from the Board evaluations. Having regard to these considerations, the Committee considers that the composition of the Board is appropriately balanced.

All Directors are proposed for re-election at the 2024 AGM, but Steven Underwood will stand down as a Non-Executive Director with effect from 31 December 2024, as he will by then have served as a Director for almost 14 ½ years. During the second half of 2024, the Committee will lead a process to select a new Non-Executive Director from a real estate development background and preferably with an understanding of the north of England property markets, to maintain an appropriate mix of skills, experience and knowledge on the Board once Steven has retired.

The Board remains mindful of the benefits afforded by diversity, in its widest sense, both in the boardroom and across the business. We are proud of the gender balance we have achieved on the Board, and the steps we have taken to improve ethnic minority representation. We continue to consider opportunities to improve Board diversity to enhance the effectiveness of Board discussion, analysis and decisions.

Harworth confirms that, as at 31 December 2023, it met the Board diversity targets prescribed by Listing Rules 9.8.6R(9) and 14.3.33R(1), as follows:

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

Nomination Committee Report continued

Numerical data on the gender identity and ethnic background of our Board members and executive management as at 31 December 2023 is set out in the tables below. For this purpose, "executive management" refers to our "Executive" team and comprises the Chief Executive, Chief Financial Officer, Chief Operating Officer, Chief Investment Officer and General Counsel/Company Secretary.

Gender identity representation

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

Ethnicity representation

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

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

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

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

Board

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

● One Director ● One Director

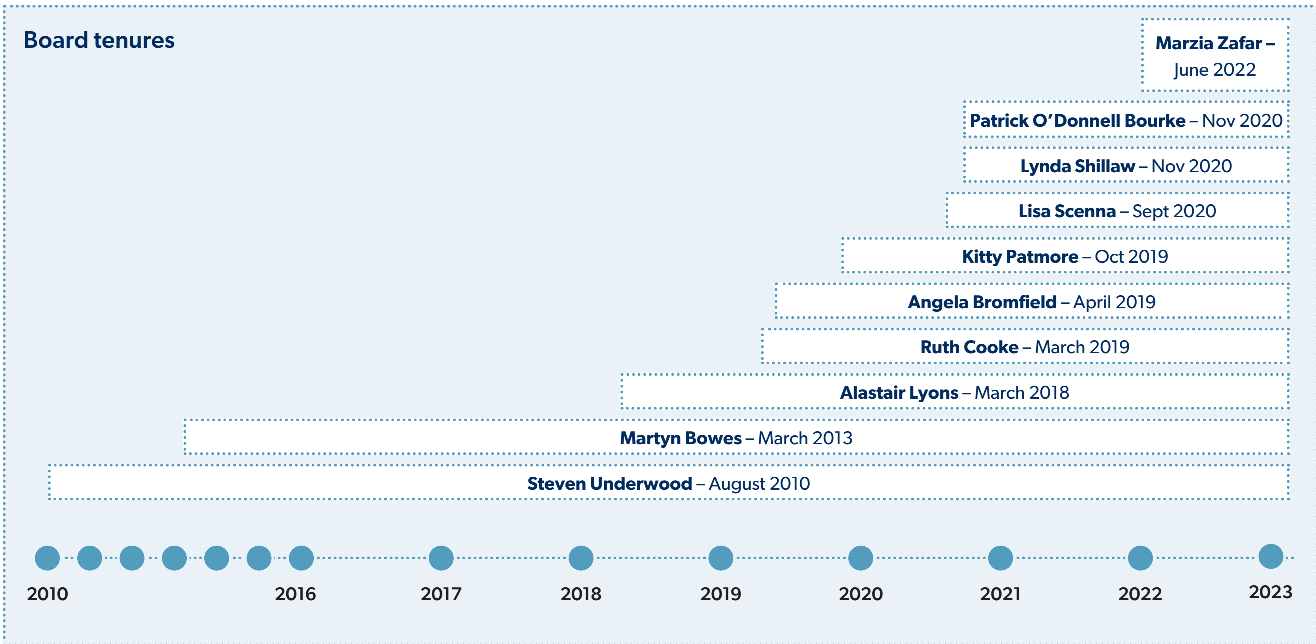
1 Martyn Bowes is the representative of the Pension Protection Fund and is not, therefore, independent. Steven Underwood is employed by the Peel Group, which also has a material shareholding and is not, therefore, considered independent.

Membership of our Committees complies with the 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 138.

Board succession

During the period, the Committee undertook a review of the succession plans for Executive and Non-Executive Directors.

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



Nomination Committee Report continued

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 2023, the Committee reviewed the following proposed appointments of:

- Lisa Scenna as a Non-Executive Director of Gore Street Energy Storage Fund plc;
- Angela Bromfield as a Non-Executive Director and remuneration committee chair of C&C Group plc;
- Kitty Patmore as audit committee chair at LondonMetric plc; and
- Ruth Cooke as a Non-Executive Director of the National Housing Federation.

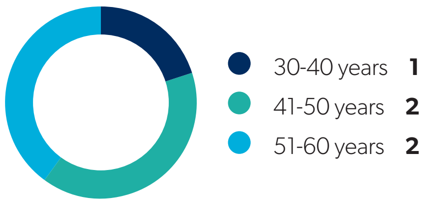
The above appointments were recommended to, and approved by, the Board.

Executive

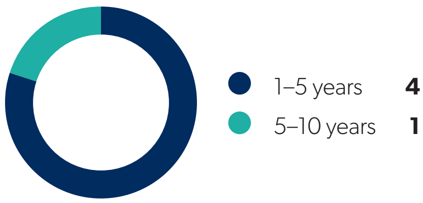
Succession plans are in place for each member of the Executive and those plans are reviewed regularly (typically annually) by the Committee. Talent management and succession planning for the whole business is considered annually by the Board.

In addition to the tables on page 100, further analysis of the composition of the 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 challenge, but we are committed to it.

The Committee takes the lead in monitoring the effectiveness of the initiatives we have introduced to improve diversity, and the progress made. A review is undertaken annually, with the results reported to the Board. A summary of measures established in 2023 and in previous years is set out on the following page. The Company's Equity, Diversity and Inclusion ('ED&I') Policy (adopted in 2022) formalises our commitment to making Harworth a diverse and inclusive organisation. With this Policy, and supporting initiatives, we aim to find and nurture the best talent, as well as increase employee engagement and retention, all of which are essential to achieving our strategy and the delivery of long-term sustainable success.

We have published our gender pay gap statistics since 2017 despite not being obliged to, as the Board feels it is important to have a transparent benchmark against which to measure our progress. We publish the same analysis again in respect of 2023 below, alongside the comparative results for 2022.

Gender pay gap analysis

In each case the reference point is 31 December.

Proportion of men and women in each quartile band

		Males	Females
Lower quartile	**2023**	**34%**	**66%**
	2022	41%	59%
Lower middle	**2023**	**57%**	**43%**
	2022	62%	38%
Upper middle	**2023**	**69%**	**31%**
	2022	62%	38%
Upper quartile	**2023**	**83%**	**17%**
	2022	83%	17%

Gender pay gap reporting	**2023**	**2022**
Mean gender pay gap	**20%**	18%
Median gender pay gap	**38%**	27%
Mean bonus gender pay gap	**0%**	24%
Median bonus gender pay gap	**70%**	69%

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.

Our commitment to gender representation at the most senior level is championed through our two female Executive Directors, with the significant reduction in our mean bonus gender pay gap measure reflecting of the bonus payments made to Lynda Shillaw and Kitty Patmore during the year – see further in the Directors' Remuneration Report. However, an increase in the proportion of female employees in the lower quartile and lower middle bands and a decrease in the upper middle band has driven the increase in our mean and median gender pay gap measures. This highlights that, notwithstanding the female representation on our Board and in the two most senior Executive roles, we must continue our efforts to accelerate gender rebalancing across the workforce with a focus on the wider senior leadership team.

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

- Diversity is an active and important consideration in the Committee's succession plans for the Board and Executive: this is evident from appointments to both Executive and Non-Executive roles on the Board in recent years.
- Whilst appointments will always be based on merit, Harworth is committed to giving everyone, regardless of gender, ethnicity, sexuality or background, every opportunity to apply for, and be appointed to, roles across the business and, as such, the desire to encourage diversity is a prominent consideration when we are recruiting for all roles. To that end, the requirement for diversity is a precondition of candidate long-lists prepared by recruitment consultants where possible.
- Adoption of a new ED&I Policy in 2022, which had a wider remit than the previous Diversity and Equal Opportunities Policy (adopted in 2018), with the objective of increasing emphasis on inclusivity and culture.
- Hybrid Working and Core Business in Core Hours policies, which recognise the benefits of different working patterns and practices to accommodate the different personal commitments of our employees. These policies open up roles to a wider range of internal and external candidates regardless of their personal circumstances. They are accompanied by hybrid working training for all employees, as well as a risk assessment to ensure our staff are fully supported in working remotely.
- Market leading maternity, adoption and paternity leave and pay policies. We are proud of our progressive stance in this area.
- A new Menopause Policy was introduced in 2022 recognising an employer's role to support sensitively this potentially distressing life stage. We also have a certified menopause champion.
- A number of employees work part time, whether that be a reduced number of days or reduced hours every day.
- We provide a wide range of options for time off, paid and unpaid, which allows employees to personalise and manage their work/life balance, and we have found these measures to be in line with, or above, market median.

Measures established in 2023

- The Board supported a new Talent and Learning & Development Strategy – the "Harworth Academy" – which supports professional development for roles at all levels. This is also designed to create strong internal succession wherever appropriate.
- We undertook a reward project during the year and introduced a new Reward Policy reflecting a transparent and fair approach to pay and promotion.
- We have continued to extend our reach into different talent pools by providing apprenticeship schemes and internship placements. We have also partnered with local schools, academies, colleges, universities, and other organisations in the communities that we serve, taking part in careers events and providing other support.
- We have redesigned our recruitment, interview and onboarding processes to ensure we are attracting and retaining employees in a way that appeals to a diverse population and promotes an inclusive culture.

Assessing the diversity of our workforce

For consistency, where comparisons are given between 2022 and 2023, in each case the position reflected is at 31 December.

At 31 December 2023, the total headcount was 120 employees.

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

Board

Gender balance

	2022	2023
Female	6	**6**
Male	4	**4**

Ethnic diversity balance

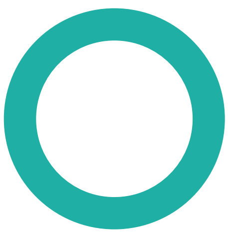
	2022	2023
White	9	**9**
Ethnic Minority	1	**1**

Executive

Gender balance

	2022	2023
Female	2	**2**
Male	3	**3**

Ethnic diversity balance



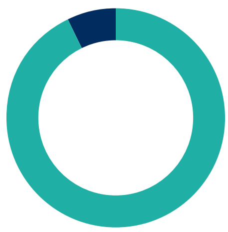
	2022	2023
White	5	**5**
Ethnic Minority	-	**-**

Investment Committee

Gender balance

	2022	2023
Female	2	**2**
Male	10	**12**

Ethnic diversity balance



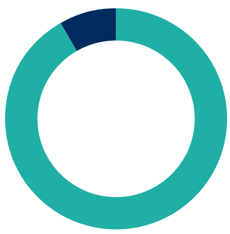
	2022	2023
White	11	**13**
Ethnic Minority	1	**1**

Group Leadership Committee

Gender balance

	2022	2023
Female	6	**5**
Male	17	**19**

Ethnic diversity balance



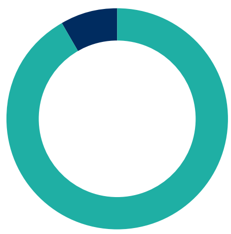
	2022	2023
White	21	**22**
Ethnic Minority	2	**2**

Wider workforce[1]

Gender balance

	2022	2023
Female	38	**43**
Male	55	**53**

Ethnic diversity balance



	2022	2023
White	85	**88**
Ethnic Minority	8	**8**

1 Excludes the Group Leadership Committee.

Nomination Committee Report
continued

Gender diversity

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

Ethnic diversity

We are mindful that, while we have made a start with regard to ethnic diversity in the business, including on the Board and Group Leadership Committee, we have much further to go. Following the appointment of a new Group Resources and Transformation Director in 2022, who has responsibility for the People Strategy, and the Committee's continued focus on diversity and inclusion, we hope to improve the figures year on year.

It is important to stress that, while 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.

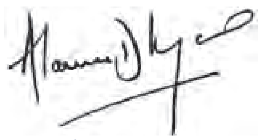
Annual General Meeting

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 20 May 2024. Steven Underwood is proposed for re-election at the 2024 AGM, but, as outlined earlier in this report, he will stand down as a Non-Executive Director with effect from 31 December 2024.

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
18 March 2024

Audit Committee Report

Committee members

Patrick O'Donnell Bourke (Chair)

Ruth Cooke

Lisa Scenna

Dear shareholder,

I am pleased to report to shareholders on the work of the Audit Committee during the year ended 31 December 2023. The report sets out the Committee's responsibilities and highlights its activities during 2023 and its priorities for 2024.

The Committee's terms of reference, which were re-approved during the year, are available on the Company's website: www.harworthgroup.com/investors/governance/. Throughout 2023 the Committee acted in accordance with the principles of, and fulfilled its obligations under, the Code and had regard to the FRC's Guidance on Audit Committees.

Membership and meetings

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

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

The Chief Executive, Chief Financial Officer and external auditors normally attend Committee meetings. The Chair of the Board and other members of senior management, including the Head of Audit and Assurance are also invited to attend, as appropriate. The Head of Audit and Assurance has direct access to me as Chair of the Committee.

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

Audit Committee Report continued

The key activities of the Committee during 2023 and its priorities for 2024 are shown below:

February
- Review of 2022 year-end valuations
- Initial review of going concern analysis
- Review of movements in year-end provisions
- Review of draft of 2022 results RNS
- Review of draft of 2022 Annual Report and Financial Statements
- Internal audit update, including draft 2023 internal audit plan
- Effectiveness of risk management and internal controls
- Review of procedures for detection of fraud and prevention of bribery
- Review of Business Continuity Plan ('BCP') and results of desktop test

March
- Updated going concern analysis
- External audit of 2022 accounts
- 2022 results and recommendation to the Board
- 2022 Annual Report and Financial Statements
- Internal audit update, including final 2023 internal audit plan

June
- 2022 audit de-brief and review of external auditor's appointment (without external auditor present)
- Areas of focus for 2023 interim results
- Annual review of appointments of valuers
- Annual review of the Group's tax strategy and policy
- Internal audit update
- Cyber and information security update
- Approval of revisions to Gifts & Entertainment Policy
- Briefing on proposed changes to the Corporate Governance Code

September
- Feedback from external auditor (without management present)
- Review of 2023 half-year valuations
- Going concern analysis
- Review of movements in provisions at the half year
- External auditor's report on 2023 interim results and 2023 full-year audit strategy
- 2023 interim results and recommendation to the Board
- Update on valuer appointment following re-tender exercise for Investment Portfolio
- Review of operational risks and controls, including proposals for establishing enterprise risk function
- Internal audit update
- Update on preparatory work for the audit and corporate governance reforms
- External briefing on proposals for resilience statement

November
- 2023 interim results de-brief and review of external auditor's appointment and fees (without external auditor present)
- Planning for 2023 external audit
- Appointment of valuers for year-end valuations
- 2024 insurance programme renewal
- Internal audit update, including approval of 2024 internal audit plan and of change to internal audit co-source partner
- Annual assessment of the effectiveness of the internal audit function (without Head of Audit and Assurance present)
- Report on audit of subsidiary management companies
- Review of auditor appointment of subsidiary management companies
- Cyber and information security update
- Procurement transformation update
- Annual review of Committee's terms of reference
- Update on the audit and corporate governance reforms following Government and FRC announcements

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

The Committee's priorities for 2024
- Review reporting of 2023 full-year results and 2024 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 the establishment of the new enterprise risk function and continue to monitor the effectiveness of the risk management system.
- Oversee the internal audit function, approve internal audit plan, and monitor the effectiveness of internal controls via updates from internal audit function.
- Continue to oversee any preparatory work for the government's audit and corporate governance reforms.
- Review the appointment of the Group's valuers.
- Oversee the 2025 insurance programme renewal.
- Monitor the maturity of the Group's cyber and information security systems.

During 2023, there were five scheduled meetings of the Committee. Attendance at meetings in 2023 is shown below:

		Independent	Committee tenure at 31 December 2023	Scheduled meetings attended/eligible to attend
Patrick O'Donnell Bourke	Chair	Yes	3 years 2 months	5/5
Ruth Cooke	Member	Yes	4 years 10 months	5/5
Lisa Scenna	Member	Yes	3 years 2 months	5/5

Financial reporting

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

Reports from management	Valuations	External audit	Going concern
Reports from management include a detailed explanation of valuation assumptions and movements, commentary on provisions, and analysis of movements in the balance sheet and cash position.	• The Committee Chair (and other Committee members if available) attends the half-year and year-end valuation review meetings in conjunction with the Company's valuers, external auditors and management team. • The valuers attend Committee meetings ahead of publication of the interim and full-year results to explain valuation methodology and processes, comment on market conditions, and take questions from Committee members. • Valuation experts from EY also attend those Committee meetings to explain the work they have undertaken in reviewing the half-year or year-end (as appropriate) valuations, and to take questions from Committee members.	• In June each year, the Committee reviews the plan and timetable for the procedures the external auditor will undertake in respect of the interim results. These include acceleration of some year-end audit work. In September and/or November each year, the Committee examines the full year-end external audit plan and timetable before detailed audit work commences. • The Committee reviews the external auditor's report on the work it has undertaken for the interim and full-year results. The lead audit partner attends Committee meetings to take questions from Committee members. • The Committee meets the external auditor annually independently of management, ensuring it has full visibility of matters that have been the subject of particular scrutiny by the external auditor and/or discussions between it and management. • For the 2023 audit, there were no specific areas the Committee asked the external auditor to look at beyond those identified in the audit plan.	• The Committee receives early sight of going concern analyses. • The Committee reviews the long-term viability and going concern assessments prepared by management and the Directors' responsibility statements (including the assumptions underpinning them) and recommends to the Board their adoption.

Audit Committee Report continued

The Committee also reviews drafts of the interim and Annual Reports in advance of their publication and comments thereon. The ESG Committee reviews and seeks assurance on disclosures relating to climate change, including for SECR and TCFD reporting. Subject to that review, the ESG Committee recommends the adoption of those disclosures to the Audit Committee, and this endorsement is incorporated into the Audit Committee's recommendation to the Board to approve publication of the Annual Report.

In addition, the Committee reviews the controls in place to ensure the completeness and accuracy of the Company's financial records. As part of this, as in previous years, for the 2023 results the Committee noted (i) the reviews undertaken during the preparation of the Annual Report and Financial Statements by various internal and external parties, including the external auditor and valuers, to ensure consistency and balance; and (ii) the internal verification exercise undertaken in respect of the financial and operational metrics referred to in the Strategic Report and Directors' Report.

As part of the Committee's review of the Group's internal controls system (see page 112), it considered, concluded, and recommended to the Board that the disclosures in, and the process and controls underlying the production of, the 2023 Annual Report, are appropriate to enable the Committee to determine that the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The Board's conclusions in this regard are set out in the Statement of Directors' Responsibilities on page 144.

Significant reporting issues considered by the Committee for the 2023 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. where relevant, the expected timing and/or outcome of planning submissions;
d. future rental amounts and financial stability of tenants;
e. future rental yields;
f. applicability and availability of comparable sales evidence;
g. anticipated risk of delivery of a site's masterplan;
h. costs to bring sites forward for sale or development; and
i. where transactions are agreed or close to being agreed, the probability of conditions to completion being satisfied.

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, market conditions, assumptions and judgements underlying the disclosures in the consolidated balance sheet. The Committee also challenged management on the key assumptions underlying certain asset valuations. In its review, the Committee noted the current uncertainty given the market conditions against which the valuation exercise was undertaken. The Committee also took into account the work carried out by the external auditor's valuation team, and overall is satisfied that the relevant balances are appropriately stated in the financial statements.

Going concern and viability

These are addressed in the Long-Term Viability Statement (pages 39 to 41) and the Statement of Directors' Responsibilities (pages 144 to 145), and also in the Notes to the Financial Statements (page 164). Management prepared forecasts on several bases: a base case; a sensitised forecast that reflected a number of severe but plausible downsides; and a specific climate change scenario case. The outputs, which were reviewed in detail and discussed and/or challenged 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. A full description of these is set out in Note 2 to the financial statements with a reconciliation between statutory measures and APMs set out in the appendix to the financial statements.

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

External audit

The Committee is responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor. Following a tender process undertaken by the Committee in 2019, details of which were included in the 2019 Annual Report, EY was appointed as the Company's external auditor by shareholders at the 2020 AGM. The external auditor's appointment is subject to annual review by the Committee, the last of which took place in June 2023 at the same time as the Committee reviewed the effectiveness of the 2022 year-end audit.

Having reviewed:

- the independence and objectivity of the external auditor, including consideration of potential conflicts of interest and of any non-audit work undertaken for the Company (for 2023 see analysis on the next page);
- the effectiveness of the last external audit;
- the quality control processes that the external auditor has in place, including any regulator's public comments on the same;
- the quality of the audit team, including the experience of the audit partner and team and its capacity;
- the quality of the audit through feedback from the management team;
- the proposed scope of the audit; and
- the quantum of fees payable for the audit (see analysis on the next page);

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 2024.

Audit Committee Report continued

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

- The Committee reviews the audit appointment annually.
- The Company has a policy that, save for audit-related services (such as regulatory and statutory reporting, and work relating to any circulars required by the Listing Rules) and exceptional circumstances (but only with the Committee's prior approval), the external auditor will not provide non-audit services to the Group.
- The Group retains Deloitte to provide advice and assistance on most tax matters and pension accounting. KPMG is retained to advise on tax matters relating to some of the Group's joint venture agreements.
- The Committee reviews on a regular basis all fees paid for both audit and non-audit activity, with a view to assessing the reasonableness of fees, value of delivery, and any independence issues that may have arisen or may potentially arise in the future. An analysis of all audit and non-audit fees incurred in 2023 is shown below.
- The Committee reviews the external auditor's report to the Directors and the Committee confirming its independence in accordance with auditing standards.

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

Analysis of audit and non-audit fees

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Audit fees		
Fees payable to the external auditor and its associates for the audit of:		
The Company and the consolidated financial statements	**380**	330
The Company's subsidiaries pursuant to legislation	**40**	42
Non-audit fees		
Other assurance services[1]	**189**	–
	609	372

1 Audit related services supporting a site-specific project (pre-approved by the Audit Committee).

Risk management and internal controls

The Board has overall responsibility for risk and has delegated to the Committee the responsibility for overseeing the effectiveness of the Group's risk management and internal control systems. An explanation of the Group's risk management framework, including the work undertaken by the Board to identify and review the Group's principal risks, the Directors' appetite for each of those risks, and the adequacy of the measures in place to mitigate them, is set out in the "Effectively managing our risk" section on pages 48 to 60.

The Committee assesses the effectiveness of the Group's risk management and internal controls framework biannually. As part of this assessment, the Committee receives a summary from the Group Risk and Assurance Map ('GRAM'), the operational tool used to monitor the Group's principal and operational risks. In its review, the Committee focuses on: the status of each risk both in absolute terms and relative to risk appetite; and the measures management have implemented and/or are planning to implement to mitigate each risk.

Ahead of publication of the year-end results and Annual Report, management presents a detailed assessment of the effectiveness of the Group's principal financial, operational and compliance controls, which is supported by the outputs from the internal audits carried out during the year and data on key risk indicators.

At the start of 2024, the Company recruited an Enterprise Risk Manager and established, for the first time, a dedicated enterprise risk function. This function will perform a "2nd line" assurance role: supporting risk owners in identifying and measuring operational risks, setting risk appetite, and designing internal controls. This additional resource forms part of the Company's preparatory work for the implementation of the government's audit and corporate governance reforms, which are expected to focus on enhanced internal controls measures.

The Committee is satisfied that the risk management and internal controls systems in place, and the assurance regime for the same described below, are effective to support delivery of the Group's strategy. Informed by the Committee's recommendation, the Board's assessment of the effectiveness of those systems can be found on page 49.

Internal audit

At the start of 2023, the Company recruited its first Head of Internal Audit (now Head of Audit and Assurance following the formation of the enterprise risk function referred to above), who is responsible for designing and delivering a 36-month rolling internal audit programme with support from a co-sourced partner (KPMG during 2023). This role has a dotted reporting line to me as Chair of the Committee. In March 2023, the Committee approved the 2023 internal audit programme, which included audits of: the acquisitions due diligence process; compliance with planning obligations; supplier payments; information security and data management; BCP testing; loan covenant compliance; a development project based in the Yorkshire and Central region; together with certain advisory assignments.

The findings and recommendations from these audits were reported to the Committee throughout the year. Overall, no significant control issues were identified although some process and control improvements were recommended, the majority of which have been adopted and have been, or are being, implemented.

In November 2023 the Committee reviewed the effectiveness of the internal audit function, without the Head of Audit and Assurance being present, and informed by feedback from the management team, wider business, and external auditors. The Committee concluded that, under the stewardship of the Head of Audit and Assurance, the scope and quality of internal controls assurance had improved markedly in the first year following establishment of the function. At the same meeting, the Committee approved a detailed internal audit plan for 2024 and an outline plan for 2025 and 2026. The audit programme will however remain flexible to changing assurance needs during the year and the outputs from internal audit activity will continue to be reported to the Committee in real time.

In late 2023, management undertook a tender process for the internal audit co-source partner. The Committee reviewed and accepted management's recommendation to appoint RSM as co-source partner in place of KPMG.

Business continuity

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

Insurance

The Committee had oversight of the 2024 insurance programme renewal, challenging management both on the overall programme and on individual aspects of certain policies. The scope of the insurance programme remained largely unchanged, and the Committee was pleased to see that the overall cost reduced by c.10%.

Whistleblowing/Speak Up

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

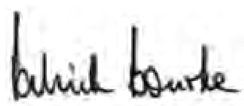
There were no incidents of whistleblowing, or reports made to the Speak Up platform, during 2023.

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 2023 Modern Slavery Statement can be found on our website at www.harworthgroup.com/investors/governance/, together with policies on anti-corruption and bribery and anti-facilitation of tax evasion.

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



Patrick O'Donnell Bourke
Chair of the Audit Committee
18 March 2024

ESG Committee Report

Committee members

Angela Bromfield (Chair)

Alastair Lyons

Martyn Bowes

Marzia Zafar

Lynda Shillaw

Kitty Patmore

Dear shareholder,

I am pleased to report to shareholders on the work of the Environmental, Social and Governance ('ESG') Committee during the year ended 31 December 2023. This report sets out the Committee's activities during the year and its priorities for 2024.

Given our purpose to transform land and property into sustainable places where people want to live and work, Harworth has a long-standing approach to ESG and an ongoing commitment to sustainability, which is embedded in the Group's strategy, culture, values, and operations. The ESG Committee was established to provide oversight of, and guidance on, the Group's sustainability framework, practices and reporting. During the period, the Committee oversaw the evolution of several elements of the Harworth Way. This included the growing maturity of the "Planet" pillar and the expansion of the "Communities" pillar. See further on pages 70 to 77, and see also the NZC Pathway Progress Report for 2023 and Communities Framework which have both been published alongside this Annual Report and can be found on the Company's website.

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

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

Membership and meetings

I chair the Committee, and its other members are Alastair Lyons, Lynda Shillaw, Kitty Patmore, Martyn Bowes and Marzia Zafar.

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

		Independent	Committee tenure at 31 December 2023	Meetings attended/ eligible to attend
Angela Bromfield	Chair	Yes	2 years 9 months	4/4
Alastair Lyons	Member	Yes	2 years 9 months	4/4
Martyn Bowes	Member	No	2 years 9 months	4/4
Lynda Shillaw	Member	No	2 years 9 months	4/4
Kitty Patmore	Member	No	2 years 9 months	4/4
Marzia Zafar	Member	Yes	1 year 7 months	3/4

2023 key activities

During the year, the Committee:

- Oversaw the continued development of the Harworth Way, with a focus on the "Communities" pillar and development of a methodology for social value assessment. We have published our Communities Framework alongside this Annual Report which can be found on the Company's website. See further on pages 70 to 77.
- Approved the publication of Harworth's first NZC Pathway Report in April 2023, following the commitment we made in 2021 to reach NZC on Scope 1, Scope 2 and some Scope 3 emissions by 2030, and on the balance of Scope 3 emissions by 2040. The NZC Pathway sets defined targets, and the Committee reviewed progress against the commitments made in the Pathway. The NZC Pathway Progress Report for 2023, which includes disclosure of a wider range of Scope 3 emissions from our master developer process, has been published alongside this Annual Report and can be found on the Company's website.
- Oversaw the development of the methodology for the capture, calculation and reporting of carbon emissions data. An explanation of this methodology is detailed in the NZC Pathway Progress Report for 2023.
- Reviewed investor feedback and comments on ESG following the 2022 year-end and 2023 interim results announcements.
- Reviewed and recommended for approval to the Remuneration Committee the ESG metrics and targets to be incorporated into the 2023 annual bonus scheme for all employees.
- Reviewed and recommended for approval to the Audit Committee the Group's sustainability disclosures in the 2022 Annual Report and 2023 interim results announcement.

2024 priorities

The Committee's priorities for 2024 include working with the Executive, Director of Sustainability and wider business to:

- Review external verification of the carbon emissions reporting methodology.
- Continue to ensure alignment between our ESG commitments and the Group strategy with a focus on addressing Harworth's medium and longer-term ESG impacts.
- Continue to determine measurable targets across the three impact pillars of the Harworth Way, and monitor and review performance against the same.
- Continue to review the effectiveness of the implementation of the Harworth Way principles as part of day-to-day operations.
- Monitor progress against the NZC Pathway and Communities Framework.
- Oversee preparation for a CDP submission to enhance further our reporting of environmental data.
- Continue to develop our sustainability disclosures through enhancing the breadth and depth of our environmental and social data collection, enabling us to provide a more comprehensive and quantitative assessment of risks and opportunities.

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

Angela Bromfield

Chair of the ESG Committee
18 March 2024

Directors' Remuneration Report

Committee members

Angela Bromfield (Chair)

Alastair Lyons

Lisa Scenna

Dear Shareholder,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2023, describing how we implemented our Remuneration Policy (the 'Policy') in 2023 and how we intend to apply the Policy in 2024.

Our Policy was approved by shareholders at the 2022 AGM. A summary of the Policy is provided within this Report on pages 121 to 125. A copy of the complete Policy can be found on our website at: https://harworthgroup.com/investors/governance/.

Performance outcomes for 2023

Harworth delivered another strong performance in 2023 producing sector leading results ahead of the MSCI All Property Index. The unique combination of the Group's extensive landbank and the application of our specialist skillset to develop new market opportunities and realise the highest value from each of our sites saw serviced land and property sales completed at prices broadly in line with, or ahead of, book values before transaction costs, lettings achieved ahead of estimated rental values, some exciting acquisitions for our future pipeline and the progression of sites through the planning system.

Management actions to unlock high value uses from sites and progress planning applications resulted in EPRA NDV* per share growth of 4.4% to 205.1p, which led to a Total Return* of 5.1%.

The Committee's priorities for 2024

- Operation of 2024 annual bonus, including setting targets to ensure Executive Directors and the wider workforce are incentivised to deliver against financial KPIs and strategic priorities
- Grant of 2024 Restricted Share Plan awards
- Approve grant of options for SAYE scheme and Share Incentive Plan awards
- Review of our Remuneration Policy for the Executive Directors and wider Executive team

So far in 2024, there are signs of optimism in the macro environment and our key markets remain characterised by structural undersupply. This, combined with our long-term through-the-cycle approach and strong financial position means we are well positioned to take the management actions that will generate further value gains from our portfolio in the year ahead and beyond.

Lynda Shillaw's and Kitty Patmore's bonus opportunity for 2023 were 150% and 125% of salary respectively based on a combination of financial measures (50% of the opportunity), strategic measures (25% of the opportunity), ESG measures (10% of the opportunity) and personal objectives (15% of the opportunity).

Taking into account performance against these measures, the Committee approved a bonus outcome equal to 75.2% of maximum (which equates to 112.8% and 94% of salary for Lynda Shillaw and Kitty Patmore respectively). Full details are set out on pages 129 to 133.

The Committee believes that the level of bonus outcome is appropriate in the context of the shareholder experience and positive management actions that created value during the year.

The average bonus outcome for eligible employees (excluding the Executive Directors) was 79.8% of their maximum entitlement.

Reward for the wider workforce

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

We want the interests of our people to be strongly aligned with our shareholders and the overall performance of the business. We actively support and encourage employee share ownership across the Group, so that our employees may share in the success of the business. 62% of employees were granted a Restricted Share Plan ('RSP') award in 2023.

We continue to offer Free Shares under the all-employee Share Incentive Plan, awarding all eligible employees £3,600 of Free Shares in 2023, being the maximum amounted permitted under UK tax legislation, and we have also continued offers of Partnership and Matching Shares for eligible employees. Subject to affordability, we intend to continue to award Free Shares to eligible employees on an annual basis at the maximum amount permitted, and continue to offer Partnership and Matching Shares.

During the year the executive team carried out a Group-wide review of pay and benefits and consequently introduced a new reward policy that reflects market practice and is well aligned with Harworth's strategy and values. This framework provides a transparent and fair structure for the operational application of the Remuneration Policy across the wider workforce. As a result of this review, the level of some roles within the organisation were reviewed, and as a result the base salary of some were adjusted to reflect scope of role and desired market positioning. The average salary increase across the wider workforce is 5% (effective 1 January 2024), with some colleagues receiving more than this to reflect the role levelling exercise above.

The Company holds an Employee AGM biennially which forms part of a wider programme of formal and informal employee engagement by the Board, providing a platform for employees to discuss a range of topics with the Board, including executive and wider workforce remuneration. The next such meeting will take place at the end of April this year.

Implementation of the Policy for 2024

Base salary

Following her appointment as Chief Executive in November 2020, Lynda Shillaw proposed, and the Board endorsed an ambitious new strategy for the Group which was well received by shareholders. Despite the challenging macro environment, the business has continued to make strong progress towards the strategic goal of becoming a £1bn business by the end of 2027, itself a testament to Lynda Shillaw's leadership and the quality of the senior team that she has assembled.

Our growth strategy is set out on pages 18 and 19. Harworth's management team, led by Lynda Shillaw, has made significant operational progress against the four pillars of our strategy since it was announced. In particular, we have:

- either completed or are underway with the direct development of 812,000 sq. ft of commercial space;
- launched BTR, Affordable Homes and NZC residential products;
- added 12.6m sq. ft of industrial & logistics space and 5,082 residential plots to the strategic land portfolio; and
- repositioned the investment portfolio to 37% Grade A from 9% in 2020.

The Group's EPRA NDV* has increased from circa £516m (160.0p per share) in 2020 to circa £663m (205.1p per share) in 2023, representing growth of around 28% notwithstanding the challenging and uncertain market backdrop which persisted for much of that period.

The Group has performed strongly relative to peers over the last three years under Lynda Shillaw's tenure as Chief Executive. Harworth's Total Shareholder Return over the three-year period ended 31 December 2023 was 13% compared to -8% for the FTSE All Share Real Estate Index. Harworth's Total Return* in 2021 (24.6%), 2022 (0.1%) and 2023 (5.1%) significantly exceeded MSCI All Property Index 12-month returns of 16.5% in 2021, -9.1% in 2022 and -0.1% in 2023.

Compared with the business when Lynda joined, Harworth has increased in size and complexity and is now a multi-faceted business having a significantly broader footprint within the real estate sector. Alongside this, under her leadership, the Group has developed a strong balance sheet position and the specialist skillsets required to maximise the significant value embedded in all our sites. The Group's financial and operational resilience has been evident in the quality of opportunities it brings to market and the results delivered. The increased breadth of its capabilities that result from implementing its strategy position it well to realise the full potential of its pipeline, tackling the ongoing uncertainties presented by the market and capitalising on opportunities the business environment may present.

Lynda Shillaw's salary was set at £400,000 on appointment. Given it was Lynda's first role as a PLC director, her salary was positioned towards the lower end of the market competitive range in line with shareholder guidance and best practice. Since appointment, her salary has increased on average by circa 5% per annum (current salary of £442,680), which is below the level of the average increases awarded to the workforce over that period. As highlighted above, the scale and complexity of Harworth's business has increased significantly during her tenure and, as a result, it is clear to the Committee that Lynda Shillaw's salary is materially

Directors' Remuneration Report continued

below our desired positioning for a Chief Executive of her calibre.

The Committee uses benchmarking data with caution. However, to provide a sense-check on salary positioning, the Committee commissioned a benchmarking exercise towards the end of 2023 to compare Lynda Shillaw's salary against two relevant peer groups:

- Companies listed on the London Stock Exchange (excluding financial services companies) with a market capitalisation ranging from £220m to £520m.
- Real Estate companies listed on the London Stock Exchange with a market capitalisation of less than £600m (CLS, Empiric Student Property, Helical, Henry Boot and New River).

This exercise demonstrated that Lynda Shillaw's salary is currently positioned below the lower quartile of the pan-sectoral peer group of equivalent market capitalisation and towards the lower end of the real estate peer group identified for the benchmarking exercise.

In the view of the Committee and supported by the wider Board, Lynda Shillaw has performed strongly since her appointment, and given the positioning against peers of her current salary (and consequently her total target compensation), the Committee considers it both appropriate and necessary to increase her salary so that it is competitively positioned against the market, and fairly reflects her experience, performance, and stature in the real estate sector. Therefore, after careful reflection, and consulting with the Group's major shareholders, the Committee determined that Lynda Shillaw's salary should be increased from £442,680 to £525,000 with effect from 1 January 2024. Following this increase, Lynda Shillaw's base salary and total target compensation opportunity will be positioned around the median of the market capitalisation peer group and within the range of the real estate peer group.

In line with the Remuneration Policy, the Committee considers base salary increases annually, and it felt that now was the right time to review Lynda's base salary to reflect her contribution and performance and her experience as the Chief Executive of a public listed business. The Committee is also cognisant of the impact of salary increases on total compensation opportunity. Following the salary increase, the Committee considers the total remuneration opportunity for Lynda Shillaw to be modestly positioned against the market.

In line with investor guidance, the Committee considered whether it would be appropriate to phase the salary increase over two years but concluded that making a single adjustment was more appropriate, given that the increase had been delayed until such a point at which performance had been demonstrably evidenced (as illustrated above) and the gap to market is both current and material.

Kitty Patmore's salary was increased from £325,000 to £341,775 (5% increase) with effect from 1 January 2024. This was in line with the average increase (in % of salary terms) awarded to the wider workforce.

Performance related annual bonus

Lynda Shillaw's and Kitty Patmore's bonus opportunity for 2024 is equal to 150% and 125% of salary respectively. 50% of the bonus opportunity will be based on financial measures (Total Return*, Acquisitions and Capital Management), 20% on strategic measures (based on residential, commercial, and energy & natural capital strategic delivery targets for 2024), 10% on ESG measures and 20% on personal objectives. In line with recent years, the Committee considers that a 50:50 weighting between financial and non-financial measures incentivises the Executive Directors appropriately to deliver against annual financial, strategic and ESG priorities which support the long-term growth of the business.

Performance targets are considered to be commercially sensitive at this point in the year, and they will be fully disclosed in the 2024 Annual Remuneration Report.

33% of any amount earned by Lynda Shillaw and 20% of any amount earned by Kitty Patmore will be deferred into shares for two years. The higher level of deferral for Lynda Shillaw reflects that she is awarded a higher bonus opportunity.

Restricted Share Plan award

RSP awards will be granted to Lynda Shillaw and Kitty Patmore at 75% of salary. In accordance with our current Policy, the number of shares under the RSP awards will be determined by reference to the share price following the announcement of the 2021 annual results, being £1.787, rather than the share price at the time the awards are granted. Based on the share price at 29 February 2024 (£1.295) this means that the face value of the 2024 RSP awards at grant is expected to be 28% lower compared to if the number of shares was determined based on the share price at grant.

Time horizons as regards vesting and holding periods and performance underpins are the same as the 2023 RSP awards. See pages 124 and 125 for further details.

Chair and Non-Executive Directors

The Chair's and Non-Executive Directors' base fees and additional fees for acting as SID and chairing committees were also increased by 5% in line with the general workforce with effect from 1 January 2024.

Remuneration Policy review

The current Policy was approved by shareholders at the 2022 AGM and is in the third year of its three year term. During H2 2024, the Committee will undertake a comprehensive review of the Policy and incentive structure for the Executive Directors and wider Executive team. The Committee will consult with our major shareholders on any proposed material changes.

Conclusion

We remain committed to a responsible approach to executive pay, as I trust this Directors' Remuneration Report demonstrates. We believe that the Policy operated as intended in respect of the 2023 financial year and consider that the remuneration received by the Executive Directors was, and that proposed for 2024 is, appropriate, taking in the round the Group's performance during 2023 and their personal performance.

Angela Bromfield

Chair of the Remuneration Committee
18 March 2024

Annual Remuneration Report

This part of the Directors' Remuneration Report describes how we implemented our Policy in 2023 and how we intend to apply the Policy in 2024. Our Policy was approved by shareholders at the 2022 AGM. A summary is provided on pages 121 to 125, and a copy of the complete Policy can be found on our website at: www.harworthgroup.com/investors/governance/.

The Annual Remuneration Report will be subject to an advisory vote by shareholders at the 2024 AGM.

Role of the Remuneration Committee

The role of the Committee is to determine and recommend to the Board the Remuneration Policy for the Executive Directors and set the remuneration for the Executive Directors and wider Executive team. The Policy is designed to support the Group's strategy and help attract, retain, and incentivise an 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 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 Executive team set the standards for behaviour and conduct across the Group. Bonus awards are focussed on Group performance to foster collective accountability and deliver a consistent reward structure across all levels of management. The Group financial and strategic performance measures ensure that the extent to which bonuses are earned reflects the delivery of our strategy for the benefit of shareholders. The application of ESG measures and personal objectives enables us to incentivise and reward a culture that will underpin longer-term success. Our RSP reflects our core principles of alignment with our shareholders and rewards long-term value creation in a cyclical business whilst also supporting retention through the market cycle.
Clarity and simplicity	A core reward principle of our Policy is to operate a simple and transparent framework which can be readily cascaded. The remuneration framework is made up of three key elements: fixed pay (including base salary, pension and benefits); annual bonus; and our long-term incentive, the RSP. The structure is simple to understand for both participants and shareholders and promotes both near-term achievement and long-term stewardship.
Risk	Annual bonus opportunities are set so as to reflect the long-term nature of our business and at levels which reward high performance, but do not encourage inappropriate business risk. The Committee has discretion to reduce vesting outcomes under the annual bonus and RSP where it considers that they would not otherwise be representative of the underlying business performance over the vesting period. Annual bonus and RSP awards are also subject to malus and clawback provisions.
Proportionality and fairness	A significant proportion of an Executive Director's reward is linked to performance through the incentive framework, with a clear line of sight between performance against the selected measures and the delivery of long-term shareholder value. Performance measures and the underlying targets for the annual bonus are reviewed by the Committee each year to ensure that they are directly aligned with the Group's strategic priorities, and targets are calibrated to reward Executive Directors for strong performance. Vesting under the RSP is phased over a five-year period, with one-third vesting after three years, one-third after four years and one-third after five years. The holding period means that participants cannot acquire shares until the end of a five-year period, aligning their interests with those of shareholders for the longer-term. Executive Directors are also required to build material shareholdings in the Group (200% of base salary). A post-cessation shareholding requirement applies which ensures that their interests are aligned with those of the Group for two years post-cessation of employment. Through the Share Incentive Plan and SAYE scheme we encourage and enable material long-term share ownership for all employees, further supporting both alignment with shareholders and the long-term nature of our business and its returns.
Predictability	The range of possible rewards to individual Executive Directors is set out in the scenario charts on page 126.

Directors' Remuneration Report continued

Committee membership and attendance

Membership and attendance at meetings in 2023 are shown below:

		Independent	Committee tenure at 31 December 2023	Meetings attended/ eligible to attend
Angela Bromfield	Chair	Yes	4 years 9 months	4/4
Alastair Lyons	Member	Yes	5 years 10 months	4/4
Lisa Scenna	Member	Yes	3 years 4 months	4/4

During the year, the Committee held four scheduled meetings. The key activities of the Committee during 2023 are shown below:

January	Review 2023 bonus measures and targets Approval to grant SAYE awards following the announcement of the 2023 interim results
February	Approve 2023 bonus measures and targets Assessment of 2022 bonus outcomes for Executive team (in the context of bonus outcomes for wider workforce) Assessment of the vesting of the second tranche of the 2019 RSP awards and first tranche of the 2020 RSP awards Approval of 2023 salary increases for Executive team (in the context of salary increases for wider workforce) Approval of 2023 RSP awards[1] Approval of 2023 SIP awards
October	Update on performance against 2023 bonus measures and targets Review of the new employee Reward Policy (which provides a framework for the operational application of the Remuneration Policy across the wider workforce) Market update on remuneration trends and corporate governance developments Review Committee Terms of Reference Review effectiveness of Committee advisers
December	Review draft 2024 bonus measures and targets Approval of 2024 salary increases for Executive team (in the context of salary increases for wider workforce) to be effective 1 January 2024

1 2023 new joiner RSP awards were also granted following the announcement of the 2023 interim results and approval was granted by the Committee via email prior to grant of the awards.

The Committee's terms of reference, which were reviewed during the period and re-approved with no changes, are aligned with the Code, and are available on the Company's website: www.harworthgroup.com/investors/governance/. Throughout 2023 the Committee acted in accordance with the principles of, and fulfilled its obligations under, the Code.

Advisers to the Committee

The Company Secretary is secretary to the Committee. The following individuals may be invited to attend Committee meetings to provide advice and to support the Committee to make informed decisions:

- Chief Executive;
- Chief Financial Officer;
- Group Resources and Transformation Director; and
- representatives of Deloitte LLP (see further below).

No individuals are involved in decisions relating to their own remuneration. The minutes of Committee meetings are circulated to all Directors, where appropriate.

During the year under review, the Committee received advice on executive remuneration matters from Deloitte LLP (Deloitte). Deloitte was appointed by the Committee on 18 October 2018 as its independent adviser following a competitive selection process. Deloitte is a founder member of the Remuneration Consultants Group and, as such, voluntarily operates under its Code of Conduct in relation to executive remuneration matters in the UK. The Committee has satisfied itself that Deloitte provided objective and independent advice during 2023.

Deloitte's fees in relation to remuneration advice provided to the Committee during 2023 were £24,450 plus VAT, charged on a time and expenses basis. Deloitte also provided advice to the Group during 2023 in relation to corporate tax, pensions and share plans. The Committee did not consider that these engagements impaired Deloitte's independence.

Shareholding voting and engagement

The table below shows the results of votes at the Harworth Group plc Annual General Meetings on: (1) 23 May 2023 on the resolution relating to the approval of the Annual Remuneration Report; and (2) 24 May 2022 on the resolution relating to the approval of the Remuneration Policy.

	Votes				
	For	For as a percentage of votes cast	Against	Against as a percentage of votes cast	Withheld
Approval of Annual Remuneration Report	271,452,473	99.25	2,061,712	0.75	219,860
Approval of Remuneration Policy	261,511,584	91.58	24,043,640	8.42	53,398

The Committee maintains a regular dialogue with its major shareholders and 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.

Summary of the Policy and how it will be implemented in 2024

Executive Directors

Element	Operation and performance metrics	Opportunity	Implementation for 2024
Base salary	Base salaries are ordinarily reviewed annually, with reference to: salary levels for similar roles at comparable companies; individual contribution to performance; and the experience of the Executive.	Salary increases will generally be in line with the range of increases awarded to salaried employees (in percentage terms). In exceptional circumstances (including, but not limited to, a material increase in job size or complexity) the Committee has discretion to make appropriate adjustments to salary levels to ensure they remain market competitive.	Lynda Shillaw's salary was increased from £442,680 to £525,000 (18.6%) with effect from 1 January 2024. Rationale for the increase is set out on pages 117 to 118. Kitty Patmore's salary was increased from £325,500 to £341,775 (5%) with effect from 1 January 2024. This was in line with the average increase (in % of salary terms) for the wider workforce.
Pension	All Executives are either members of the Group pension scheme or receive a cash pension allowance. Salary is the only element of remuneration that is pensionable.	Aligned with the contribution rate available to the majority of the wider workforce (currently 10% of salary).	Company contribution and/or cash pension allowance equal to 10% of salary for both Executive Directors.

Directors' Remuneration Report continued

Element	Operation and performance metrics	Opportunity	Implementation for 2024
Benefits	Executives receive benefits which consist primarily of the provision of a car allowance, private medical cover and life insurance although can include any such benefits that the Committee deems appropriate, and the Company may make a payment in respect of any associated tax liability where the Committee considers this to be appropriate.	The monetary value of benefits vary by role and individual circumstances. Eligibility and cost is reviewed periodically. The Committee retains the discretion to approve a higher cost in appropriate circumstances (e.g. relocation) or in circumstances where factors outside the Company's control have changed materially (e.g. increases in insurance premiums).	Benefits will include car allowance, private medical cover, life insurance and the use of a chauffeur service for business travel and commuting.
Annual bonus	The scheme is based on a combination of financial performance and personal and/or strategic performance objectives. At least 50% of the bonus opportunity is based on financial measures. No more than 20% of the bonus opportunity will be based on personal objectives. The Committee has discretion to amend the pay-out should any formulaic outturn not reflect the Committee's assessment of overall business performance or if the Committee considers the formulaic outturn is not appropriate in the context of other factors considered by the Committee to be relevant. If the maximum bonus opportunity exceeds 100% of salary, up to one third of any amount earned (not only the proportion earned above 100% of salary) will be deferred into shares in the Company for two years. Dividend equivalents may be paid on vested shares based on dividends paid during the deferral period. Such amounts will normally be paid in shares.	Maximum opportunity of up to 150% of base salary in respect of a financial year. For financial metrics, up to 10% of maximum may be earned for threshold performance and up to 50% of maximum may be earned for target performance with 100% of maximum earned for meeting or exceeding the maximum performance level. For performance between threshold and target and between target and maximum the vesting profile will be determined by the Committee taking into account the stretch in the targets. Vesting of the bonus in respect of strategic performance or personal objectives will be between 0% and 100% based on the Committee's assessment of the extent to which the relevant metric or objective has been met.	The maximum opportunity for Lynda Shillaw and Kitty Patmore will be 150% and 125% of salary respectively. 50% of the bonus opportunity will be based on financial measures (Total Return*, Acquisitions and Capital Management), 20% based on strategic measures, 10% based on ESG measures and 20% based on personal objectives. See note 2 on page 124. 33% of any amount earned by Lynda Shillaw and 20% of any amount earned by Kitty Patmore will be deferred into shares for two years. Dividend equivalents will be paid on shares awarded during the deferred period, payable in shares.

Element	Operation and performance metrics	Opportunity	Implementation for 2024
Restricted Share Plan (RSP)	Annual awards will be made in the form of conditional share awards or nil-cost options. Vesting is phased over a five-year period, with one third vesting after three years, one third after four years and one third after five years, although all vested shares must be held to the end of year five. The extent to which a tranche of an award vests may be reduced by the Committee if a performance underpin assessed to the end of the financial year preceding the date of vesting is not achieved. In addition, the Committee may reduce the extent to which a tranche vests if it believes this better reflects the underlying performance of the Company over the relevant period. Dividend equivalents may be paid on vested shares based on dividends paid during the holding period. Such amounts will normally be paid in shares.	For Executive Directors in office at the date of the 2022 AGM (the date that the Policy was approved) the maximum RSP award: • in respect of 2022 was 75% of salary, converted into a number of shares by reference to the average mid-market closing share price for the five trading days immediately following the announcement of the Company's annual results for 2021 (£1.787) (the "2022 Price"); • in respect of future years, will be 75% of salary converted into a number of shares by reference to the 2022 Price, provided that the grant in respect of any future year may not exceed 112.5% of salary or be less than 37.5% of salary calculated by reference to the market value of a share at the date the relevant award is granted. For any Executive Director appointed after the date of approval of this Policy, the maximum RSP award in respect of any financial year is an award over shares with a market value determined by the Committee at the time the award is granted of up to 112.5% of salary.	RSP awards will be granted to Lynda Shillaw and Kitty Patmore at 75% of salary. The number of shares under the RSP awards will be determined based on the 2022 Price. Therefore, Lynda Shillaw and Kitty Patmore will be granted 220,341 and 143,442 shares respectively. Vesting will be phased over a five-year period, with one third vesting after three years, one third after four years and one third after five years. All vested shares must be held to the end of year five, resulting in a total time horizon of five years for all three tranches. The RSP awards will be subject to performance 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 note 3 on page 125.
Share Incentive Plan and Save As You Earn scheme	These plans are reviewed annually and, if offered, are offered to all eligible employees in accordance with their terms and applicable legislation.	Limits are set in accordance with the relevant legislation.	The Executive Directors will participate in the SIP and SAYE scheme on the same terms as the wider workforce.

Directors' Remuneration Report continued

Element	Operation and performance metrics	Opportunity	Implementation for 2024
Shareholding guidelines	Within-employment: Executive Directors are required to build up a holding equivalent to 200% of base salary. Until the relevant shareholding levels are achieved, 50% of any shares vesting under the RSP or deferred bonus (post-payment of tax) are required to be held. Post-employment: For the first 12 months following cessation, an Executive Director must retain such number of 'relevant shares' as have a value (as at the point of cessation) equal to the within-employment guideline (200% of base salary), with that requirement tapering down to 0% over the following 12 months. If the Executive Director holds less than the required number of 'relevant shares' at any time, they must retain the 'relevant shares' they hold.		As at 31 December 2023, Lynda Shillaw and Kitty Patmore held shares equal to 141% and 121% of salary respectively (based on the mid-market closing share price on 29 December 2023 (£1.215)).

Note 1: recovery provisions

The annual bonus and RSP awards are subject to malus and clawback provisions as follows:

- any bonus paid in cash may be recovered for up to two years following payment;
- a deferred bonus award may be reduced or cancelled during the two-year deferral period; and
- a tranche of an award under the RSP may be cancelled (if shares have not been delivered to satisfy it) or recovered from a participant (if shares have been delivered) up to the second anniversary of vesting.

Malus or clawback may be applied in the event of misconduct, material financial misstatement, error in calculation of outcomes, material failure of risk management and internal controls, a significant health and safety event or environmental incident, conduct leading to financial loss or reputational damage, unreasonable failure to protect the interests of employees and customers, material corporate failure, material breach of banking covenants or an unauthorised breach of the Group's internal gearing policy, or in any other circumstance that the Committee considers appropriate.

Note 2: annual bonus performance measures

Measure	Weighting (% of bonus opportunity)
Financial measures Based on Total Return*, Acquisitions and Capital Management	50%
Strategic measures Based on residential, commercial and energy and natural capital strategic delivery targets for 2024	20%
ESG measures	10%
Personal objectives	20%
Total	100%

The Committee will also have discretion, both positive and negative, to amend the bonus outcome if it is not reflective of underlying financial and operational performance, or of the experience of shareholders or employees.

The prevailing macro-economic and geopolitical uncertainty makes it increasingly challenging to forecast how markets and property valuations may move during 2024. Through the annual bonus, we want to reward the effectiveness of management in acting positively to create value. Therefore, the Committee has reserved discretion to adjust the formulaic vesting outcome of the Total Return* measure if there are material movements in our underlying markets which have not been projected within our business plan for 2024, being the basis on which bonus targets are set. There would be full disclosure in the 2024 Directors' Remuneration Report of any discretion applied.

Performance targets are considered to be commercially sensitive at this point in the year but they will be fully disclosed in the 2024 Annual Remuneration Report.

Note 3: RSP award underpins

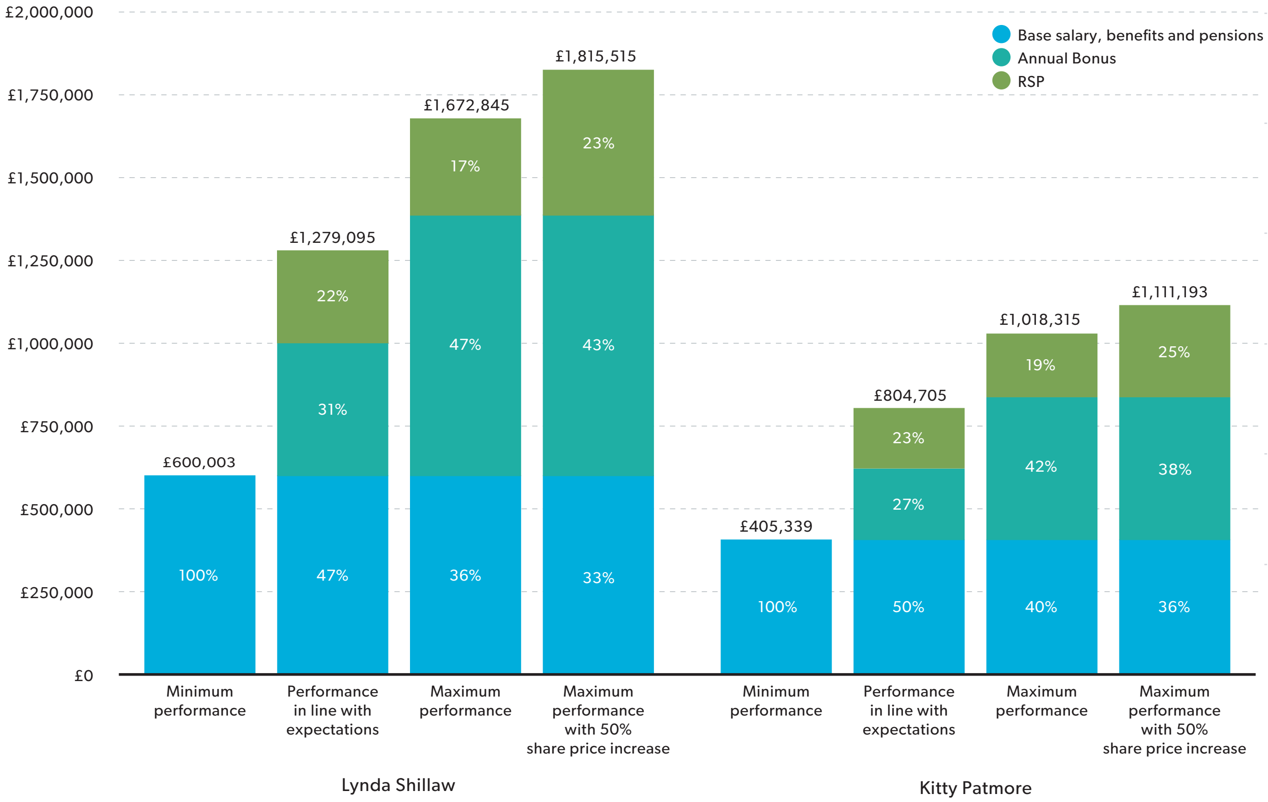
Performance underpin	Not met if there is:
Financial health	A breach of financial covenants in the Group's principal banking facilities.
Underlying performance	A material deterioration in the Group's underlying performance which departs significantly from any deterioration across the real estate sector including, but not limited to, by reference to share price, dividend and/or EPRA NDV*.
Corporate governance	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.

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 over the vesting period for the purpose of the RSP awards.

Potential reward opportunities are based on the Policy, applied to the base salaries effective 1 January 2024. The annual bonus and RSP awards are based on the level of maximum opportunities applied in 2024 (annual bonus of 150% of salary for the Chief Executive and 125% of salary for the Chief Financial Officer and RSP award of 75% of salary). RSP award values are based on the face value at award rather than vesting (other than as regards that element of the charts assuming a 50% increase in the share price over the vesting period for the purposes of the RSP awards).



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 2024 are set out on page 121, benefits are based on the value of such benefits in 2023 which are taken from the single total figure remuneration table on page 128.

The 'on-target' scenario reflects fixed remuneration as above, plus bonus pay-out of 50% of maximum annual bonus opportunity and RSP vesting in full.

The 'maximum' scenario reflects fixed remuneration as above, plus full pay-out of all incentives.

The final scenario is based on the same assumptions as the 'maximum' scenario, but also assumes, for the purposes of the RSP element of the chart, that the share price increases by 50% over the vesting period.

In accordance with our Policy, the number of shares under the RSP awards will be determined based on the average mid-market closing share price for the five trading days immediately following the announcement of the annual results for 2021 (£1.787). Lynda Shillaw and Kitty Patmore will, therefore, be granted 220,341 and 143,442 shares respectively. For the purposes of the charts, the grant date face value of the RSP awards has been calculated using the mid-market closing share price on 29 February 2024 (£1.295) (a proxy for the share price at the time the 2024 RSP awards will be granted). Based on this share price, the grant date face value of the 2024 RSP awards is circa 28% lower compared to if the number of shares was determined based on the share price at grant.

Non-Executive Directors

Function	Operation	Opportunity	Implementation for 2023
Fees and benefits	Fee levels are ordinarily reviewed annually. The fees of the Non-Executive Chair are determined by the Board and those of the other Non-Executive Directors by the Chair and the Executive Directors. Additional fees are payable for additional Board duties, including but not limited to, acting as Senior Independent Director and as Chair of the Board's Committees. Additional fees may be paid in the event that Non-Executive Directors are required to commit substantial additional time above that normally expected of their role. The Non-Executive Directors may be eligible to receive benefits linked to the performance of their duties, including but not limited to travel and other expenses, and the Company may make a payment in respect of any associated tax liability where the Committee considers this to be appropriate.	There is no overall maximum, but fees are set taking into account the responsibilities of the role and expected time commitment. It is expected that increases to Non-Executive Director fee levels will be in line with salaried employees over the life of the policy. However, in the event that there is a material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil a Non-Executive Director role, the Board has discretion to make an appropriate adjustment to the fee level. Where benefits are provided to Non-Executive Directors they will be provided at a level considered to be appropriate taking into account the individual circumstances. Overall fees paid to the Non-Executive Chair and Non-Executive Directors will remain within the limits set by the Company's Articles of Association.	The Chair's and Non-Executive Directors' base fees and additional fees for acting as SID and Chairing Committees were increased by 5% in line with the general workforce with effect from 1 January 2024. Fees from 1 January 2024: • Chair fee: £188,715 • Non-Executive Director fee: £53,076 • Additional fee for acting as Senior Independent Director: £9,371 • Additional fee for Chairing the Remuneration Committee or Audit Committee: £9,371 • Additional fee for Chairing the ESG Committee: £6,615

Executive Director services contracts and Non-Executive Director letters of appointment

Lynda Shillaw has a rolling service contract (dated 29 July 2020) requiring nine months' notice of termination on either side. Kitty Patmore has a rolling service contract (dated 5 August 2019) requiring six months' notice of termination on either side. The service contracts for the Executive Directors are available at the Company's registered office during normal business hours and will be available at the AGM for 15 minutes prior to the meeting and during the meeting.

Subject to annual re-election by shareholders, Non-Executive Directors are appointed on a rolling annual basis. All Directors offer themselves for re-election at each AGM. The appointment and re-appointment of Directors are matters reserved for the full Board.

	Date of letter of appointment	Appointment date to the Board	Current appointment expiry date[1]
A. Lyons	23 November 2017	7 March 2018	7 March 2025
A. Bromfield	19 February 2019	1 April 2019	1 April 2025
R. Cooke	27 February 2019	19 March 2019	19 March 2025
L. Scenna	29 June 2020	1 September 2020	1 September 2024
P. O'Donnell Bourke	2 November 2020	3 November 2020	3 November 2024
M. Zafar	31 May 2022	1 June 2022	1 June 2024
M. Bowes[2]	1 March 2015	24 March 2015	24 March 2025
S. Underwood[3]	9 December 2019	2 August 2010	1 January 2025

1 All Non-Executive Directors are subject to annual rolling appointments by reference to the date of their original appointment to the Board.

2 Martyn Bowes was previously a Non-Executive Director of Harworth Estates Property Group Limited from 19 March 2013.

3 A new letter of appointment was entered into when Steven Underwood ceased to be a representative director of Peel Group. Steven will step down from the Board on 31 December 2024.

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 2023 with a comparison to the previous year.

	L. Shillaw		K. Patmore	
	2023	2022	**2023**	2022
Fixed pay				
Salary	**£442,680**	£421,600	**£325,500**	£310,000
Taxable benefits[1]	**£22,503**	£16,121	**£29,386**[2]	£10,000
Pension benefit[3]	**£44,268**	£42,160	**£32,550**	£31,000
Subtotal	**£509,451**	£479,881	**£387,436**	£351,000
Variable pay				
Single-year variable	**£499,011**	£329,375	**£305,767**	£193,750
Multi-year variable[4]	**£55,903**	–	**£69,234**	£35,7375
Other[5]	**£7,200**	£6,000	**£11,080**	£6,000
Subtotal	**£562,114**	£335,375	**£386,081**	£235,487
Total	**£1,071,565**	£815,256	**£773,517**	£586,487

1 Taxable benefits consist of car allowance and private medical cover car allowance, private medical cover, and the use of a chauffeur service, which began in 2023, for business travel and commuting. Other benefits include life insurance.

2 The taxable benefits for Kitty Patmore for 2023 include reimbursement for in-year private medical cover. Kitty also received £5,117 as a reimbursement for private medical cover for the period from her appointment to 31 December 2022, which the Company had previously omitted to reimburse due to an administrative oversight, and is not included in the 2023 taxable benefits figure cited above.

3 Kitty Patmore participated in the Company's defined contribution scheme until May 2023, in relation to which the Company contributed 10% of salary. From June 2023, Kitty Patmore received a pension allowance equivalent to 10% of salary. Lynda Shillaw received a pension allowance equivalent to 10% of salary.

4 Multi-year variable values for 2023 relate to the vesting of the second tranche of the RSP awards granted in 2020 (which Kitty Patmore participated in) and first tranche of RSP awards granted in 2021 (which Lynda Shillaw and Kitty Patmore participated in). Multi-year variable values for 2022 relate to the vesting of the first tranche of the RSP awards granted in 2020 (which Kitty Patmore participated in).

5 Other includes Free Shares and Matching Shares awarded to Lynda Shillaw and Kitty Patmore during 2022 and 2023 under the all-employee Share Incentive Plan and options granted during 2023 to Kitty Patmore under the all-employee SAYE scheme. The value of Free Shares and Matching Shares is determined based on the face value of the shares at the award date. The value of SAYE options is determined based on the intrinsic value of the award at the grant date.

6 In the 2022 Directors' Remuneration Report the value of the first tranche of the 2020 RSP award which vested on 21 March 2023 was estimated by reference to the average mid-market closing share price for the three-month period ended 31 December 2022 (£1.07). The value has been updated in the table to reflect the mid-market closing share price on the vesting date (£1.115). The share price at the grant date of the 2020 RSP award (£1.04 based on the mid-marking closing share price on the trading day

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 2023 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	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
A. Lyons	**£179,729**	£171,170	**–**	–	**–**	–	**£179,729**	£171,170
M. Bowes	**£50,549**	£48,141	**–**	–	**–**	–	**£50,549**	£48,141
A. Bromfield	**£50,549**	£48,141	**£15,225**	£14,500	**£8,925**	£8,500	**£74,699**	£71,141
R. Cooke	**£50,549**	£48,141	**–**	–	**–**	–	**£50,549**	£48,141
S. Underwood	**£50,549**	£48,141	**–**	–	**–**	–	**£50,549**	£48,141
L. Scenna	**£50,549**	£48,141	**–**	–	**–**	–	**£50,549**	£48,141
P. O'Donnell Bourke	**£50,549**	£48,141	**£8,925**	£8,500	**–**	–	**£59,474**	£56,641
M. Zafar[1]	**£50,549**	£28,083	**–**	–	**–**	–	**£50,549**	£28,083

1 Appointed as Non-Executive Director with effect from 1 June 2022.

Incentive outcomes for year ended 31 December 2023 (audited)

Annual bonus

Lynda Shillaw's and Kitty Patmore's bonus opportunity for 2023 were equal to 150% and 125% of salary respectively subject to a combination of financial performance measures, strategic performance measures, ESG performance measures and personal objectives. Performance against targets and subsequent vesting of 2023 annual bonuses are set out in the tables below.

Group financial performance outcome (50% of total bonus opportunity)

Financial measure	Weighting (% of financial element)	Threshold[1]	Target[2]	Maximum	Actual performance	Vesting outcome
Total Return* Growth in EPRA NDV* plus dividends paid during 2023	**50%**	(6.3)%	(3.7)%	(1.1)%	5.1%	**50%**
Acquisitions Capital deployed on acquisitions during 2023	**30%**	£28.6m	£49.8m	£59.4m	£15.5m[3]	**0%**
Capital management [4, 5] Reflects focus on utilising capital on activities which deliver most value and complete sales, whilst maintaining cost control and ensuring compliance with the covenants in the Revolving Credit Facility	**20%**	£10.0m	£30.8m	£34.6m	£25.1m	**7.8%**
Total vesting on financial performance element			50% weighting of total bonus opportunity			**57.8%**

Broadly straight-line vesting occurs between defined levels of performance

1 10% of maximum opportunity vests at threshold.

2 50% of maximum opportunity vests at target.

3 Whilst a land supply of 12 – 15 years was maintained, and the pipeline of acquisitions was strong as the business entered 2024, capital employed during 2023 did not meet threshold and, as such, a strict scoring of this financial measure resulted in a nil vesting outcome.

4 Capital management targets and performance take into account a Board approved decision to defer the sale of a site in Flaxby to 2024 to benefit from more favourable treatment for the purposes of performance against the financial covenants in the revolving credit facility.

5 Capital management across the Group remains strong, evidenced by the very low net loan to portfolio value* (4.7%) and the above market Total Return*. During 2023, the profit generated from completed sales was ahead of budget, but sales of the first phase of the build to rent portfolio could not be completed due to planning delays. This meant that actual performance did not benefit from the forecast profit on those delayed sales and, as such, did not meet target or maximum. Management agreed a favourable amendment to the Interest Cover Ratio covenant in the revolving credit facility which has created additional headroom in performance against that covenant and improved the financial health of the Group through its access to debt facilities. Whilst the Committee was mindful that this was a key contribution towards the Group's capital management performance, it chose not to exercise discretion to adjust the scoring of performance against the target.

Directors' Remuneration Report continued

Strategic measures (25% of total bonus opportunity)

Strategic measures	Weighting (% of strategic element)	Baseline	Stretch	Actual performance	Vesting outcome
Expand Mixed Tenure products:					
Launch affordable housing[1]	50%	Design of products completed, successful launch of 144 units, investor 'acceptable' and delivery partner selected	Sale of at least 229 units	Baseline target achieved together with sale of significant number of units which was only marginally short of stretch Additionally, the team had progressed into legals the sale of units substantially in excess of the stretch target	45%
Develop Build-to-Rent portfolio[1]		Investment partner selected and contracts exchanged by 31 December 2023 At least 500 units contracted	Investment partner selected and contracts exchanged by 30 September 2023 At least 625 units contracted	Planning approvals received for 298 units and progress made towards exchange of contracts with selected partners	
Increase scale of direct developments:					
Development delivery	50%	Practical completion of selected developments	Baseline plus a substantive start on vertical development on another site	Stretch target achieved	40%
Lettings achieved		50% of in-year practical completions exchanged or completed and/or a pre-let for future development site exchanged or completed at a similar scale	75% or more of in-year practical completions exchanged or completed and/or a pre-let for future development site exchanged or completed at a similar scale	Achieved lettings in excess of stretch target	
Development Pipeline		Site specific works enabling 1,100,000 sq. ft development on timetable and cost Site specific[2] planning application sufficiently progressed to enable submission by 31 March 2024	Baseline plus one or more of: A pre-let or sale for future sites of units comprising at least 150,000 sq. ft Commencement of works enabling 500,000 sq. ft development	Achieved pre-let or sale for future sites of units and commencement of works to enable development in excess of stretch target. However, these achievements did not impact the vesting outcome as baseline target was not achieved	
Total vesting on strategic element			25% weighting of total bonus opportunity		85%

1 During 2023 a strategic decision was made by the Board to change the disposal strategy from certain affordable housing and Build-to-Rent sales to commercial land sales at selected sites. The Committee therefore agreed that performance would be based on the remaining affordable housing and Build-to-Rent units only.

2 Identity of site is commercially sensitive

ESG performance outcome (10% of total bonus opportunity)

ESG measures	Weighting (% of ESG element)	Baseline	Stretch	Actual performance	Vesting outcome
Woodland planting scheme	20%	Completion of planning grant stages 1 and 2, site surveys, bird/habitat surveys, and full design	EWCO application submitted, WCC registration completed, and ground preparation commenced	All elements achieved in full	20%
Investment Portfolio energy procurement	20%	Renew the Harworth Group electricity contract for the multi-let sites and void units to a renewable sustainable source Incorporate solar and monitoring of energy produced within new build developments	Reduce Scope 2 emissions of the investment portfolio below the baseline set in 2022 Or Enter PPAs with at least 50% of tenants who lease 'develop to hold' new build assets with renewable energy generated from roof-top solar	All elements achieved in full	20%
Progress against Net Zero Carbon Home Pilot	20%	Design of products completed, delivery and monitoring partners selected	Scheme is on site in H2 2023	All elements achieved in full	20%
Report our Scope 3 emissions for 2023	40%	Commit to appropriate accreditation through CDP, SBTi or a similar body	Scope 3 emission reporting enhanced beyond 2022 Scope 3 reporting	All elements achieved in full	40%
Total vesting on ESG element		10% weighting of total bonus opportunity			100%

Directors' Remuneration Report continued

Personal performance outcomes (15% of total bonus opportunity)

Lynda Shillaw

Personal objectives	Weighting (% of personal element)	Objective	Actual performance	Vesting outcome
Leadership and Stakeholder	67%	Develop Harworth's external brand through building relationships with key political stakeholder groups and industry groups Review the structure of the business and identify options available to the Board to ensure that the business protects shareholder value throughout the market downturn and is well placed to take advantage of future growth opportunities	Continued to build networks and relationships with key political stakeholder groups and industry groups to unlock and progress site development opportunities and to protect and enhance Harworth's commercial position to support the delivery of the strategy. Scaled-up Harworth's participation in the 2023 UK REiiF, further elevating Harworth's brand profile. Chairs or sits on the Board of various industry groups and contributed to thought leadership articles, further enhancing Haworth's reputation and market eminence. Materials were produced for the Board Strategy Day following a detailed analysis of the business structure. This information informed the development of the current strategy.	67%
Culture & Engagement	33%	Drive the development of the Harworth Culture Sponsor and oversee the culture review project	Significant progress was made during the year in respect of Culture & Engagement. Highlights include: • Led on a detailed cultural review, which sought input from all areas of the business and will result in a refresh of the Harworth Group values. • Established metrics for measuring progress against embedding the Harworth Culture. • Enhanced employee value proposition launched in 2023, including in respect of reward, learning and development, and ways of working. Identified opportunities to further enhance the employee value proposition during 2024. Significant work undertaken to support ambition of securing Investors in People (Silver) Accreditation during 2024	33%
Total vesting on personal element			15% weighting of total bonus opportunity	100%

Kitty Patmore

Personal objectives	Weighting (% of personal element)	Objective	Actual performance	Vesting outcome
Leadership and Stakeholder	33.3%	Establish how to position Harworth best with investors Identify opportunities for positioning Harworth as an ESG public markets investment and raise the visibility of the Group in this arena	Engagement with third party advisors to develop Harworth's disclosures and brand. Improvements made to internal data collection and modelling capabilities to further enhance disclosures. Improvements to ESG disclosures to support the focus on ESG at the Capital Markets Day.	33.3%
Financial Health	33.3%	Review the funding structure of the Group and present a strategy to the Board covering acquisition and development pipeline funding and refinancing options Build relationships with potential funders and establish Harworth as a development partner of scale Secure, or have agreed in principle for execution, any sources of funding required for 2024 development	Detailed review of funding structures undertaken to identify potential sources of capital, and significant improvements made to modelling capabilities. Continued to build relationships with potential funders. Requisite funding lined up for 2024.	33.3%
Culture & Engagement	33.3%	Sponsor and oversee the formulation, communication, and implementation of a reward policy for the wider workforce	Executive lead on reward project resulting in: new job descriptions across the business; development of a role levelling matrix; Group-wide external benchmarking of pay and benefits; development of a reward policy and supporting policies; and effective launch of reward project outputs to all employees.	33.3%
Total vesting on personal element		15% weighting of total bonus opportunity		100%

Overall bonus outcomes

	Financial		Strategic		ESG		Personal		Overall bonus outcome	
Executive Director	Weighting	Vesting	Weighting	Vesting	Weighting	Vesting	Weighting	Vesting	% of bonus	% of bonus
L. Shillaw	50%	28.9%	25%	21.3%	10%	10%	15%	15%	75.2%	112.8%
K. Patmore	50%	28.9%	25%	21.3%	10%	10%	15%	15%	75.2%	94%

In accordance with the Policy, 33% of Lynda Shillaw's earned bonus and 20% of Kitty Patmore's earned bonus will be deferred into shares for two years.

Directors' Remuneration Report continued

Restricted Share Plan awards vesting (audited)

An RSP award was granted to Kitty Patmore at 50% of salary in 2020. No award was received by Lynda Shillaw in 2020 given the date of grant preceded her joining the business.

RSP awards were granted to Lynda Shillaw and Kitty Patmore at 50% of salary in 2021.

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

The RSP awards are subject to the specific performance underpins identified in note 3 to the Policy summary (see page 125). The Committee reviewed performance against these underpins, as well as underlying financial performance, and found no cause to reduce the vesting outcome. The Committee considers the vesting outcome to be appropriate, recognising that the Group has performed strongly, both financially and strategically, against a backdrop of macro-economic and geo-political uncertainty.

The second tranche of the 2020 RSP award granted to Kitty Patmore and the first tranche of the 2021 RSP awards granted to Lynda Shillaw and Kitty Patmore vested in full on 21 March 2024. The vested shares under the second tranche of the 2020 RSP Award will be subject to a holding period until March 2025. The vested shares under the first tranche of the 2021 RSP Awards will be subject to a holding period until March 2026.

2020 RSP awards

Executive Director	Number of shares granted under tranche 2	Number of shares vesting under tranche 2	Face value at vesting[1,2]
K. Patmore	32,051	32,051	£34,295

1 Face value based on the average mid-market closing share price for the three-month period ended 31 December 2023 (£1.07). The RSP award did not accrue dividend equivalents over the vesting period.

2 The share price at the grant date of the RSP award (£1.04 based on the mid-marking closing share price on the trading day immediately preceding the date of grant on 25 June 2020) is £0.03 less than the above mentioned share price used to calculate the face value of the shares at vesting. Therefore, 2.8% of the face value at vesting is attributable to growth in share price between grant and vesting.

2021 RSP awards

Executive Director	Number of shares granted under tranche 1	Number of shares vesting under tranche 1	Face value at vesting[1,2]
L. Shillaw	52,246	52,246	£55,903
K. Patmore	32,654	32,654	£34,940

1 Face value based on the average mid-market closing share price for the three-month period ended 31 December 2023 (£1.07). The RSP award did not accrue dividend equivalents over the vesting period.

2 The share price at the grant date of the RSP award (£1.276 based on the average mid-marking closing share price on the five trading days immediately preceding the date of grant on 6 April 2021) is greater than the above mentioned share price used to calculate the face value of the shares at vesting. Therefore, none of the face value at vesting is attributable to growth in share price between grant and vesting.

Performance against underpins

The RSP awards were subject to the three performance underpins related to financial health, underlying performance and corporate governance as identified in note 3 to the Policy summary (see page 125). The Committee assessed that the underpins were fully met. Harworth's Total Shareholder Return outperformed the FTSE All Share Real Estate over the respective vesting periods.

Restricted Share Plan awards granted in 2023 (audited)

RSP awards were granted to Lynda Shillaw and Kitty Patmore on 17 April 2023 as follows:

Executive Director	Type of award	Date of grant	Number of shares subject to award	Face value of grant[1]
L. Shillaw	RSP award Nil-Cost Option	17 April 2023	185,791	£211,059
K. Patmore	RSP award Nil-Cost Option	17 April 2023	136,611	£155,190

1 Face value based on the average mid-market closing share price for the five trading days immediately following the annual results for 2022 (£1.136).

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

The RSP awards are subject to the three performance underpins related to financial health, underlying performance and corporate governance as identified in note 3 to the Policy summary (see page 125). 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.

Deferred share bonus awards granted in 2023 (audited)

In accordance with the Policy, Lynda Shillaw was required to defer 20% of her earned 2022 bonus into shares for two years. Accordingly, Lynda Shillaw was granted a deferred share bonus award on 22 March 2023 which vests on 21 February 2025[1].

Executive Director	Type of award	Date of grant	Number of shares subject to award	Face value[2]
L. Shillaw	DBP Nil-Cost Option	22 March 2023	57,988	£65,875

1 The Committee approved Lynda Shillaw's bonus award in respect of 2022 on 21 February 2023, hence the deferred share bonus award vests on 21 February 2025.

2 Face value based on the average mid-market closing share price for the five trading days immediately following the annual results for 2022 (£1.136).

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 2022 and 2023			% change between 2021 and 2022			% change between 2020 and 2021			% change between 2019 and 2020		
	Salary & fees	**Benefits**	**Bonus**	Salary & fees	Benefits	Bonus	Salary & fees	Benefits	Bonus	Salary & fees	Benefits	Bonus
Executive Directors												
L. Shillaw[1]	**5%**	**14.6%**	**51.5%**	5.4%	3.8%	-9%	n/a	n/a	n/a	n/a	n/a	n/a
K. Patmore[2]	**5%**	**51.0%**	**57.8%**	24.0%	17.1%	-14.4%	25%	0%	122.3%	n/a	n/a	n/a
Non-Executive Directors												
A. Lyons	**5%**	**–**	**–**	5.4%	–	–	1.5%	–	–	0%	–	–
M. Bowes	**5%**	**–**	**–**	5.4%	–	–	1.5%	–	–	0%	–	–
A. Bromfield[3]	**5%**	**–**	**–**	16.8%	–	–	28%	–	–	n/a	–	–
R. Cooke[4]	**5%**	**–**	**–**	5.4%	–	–	1.5%	–	–	n/a	–	–
S. Underwood	**5%**	**–**	**–**	5.4%	–	–	1.5%	–	–	0%	–	–
L. Scenna[5]	**5%**	**–**	**–**	5.4%	–	–	n/a	–	–	n/a	–	–
P. O'Donnell Bourke[6]	**5%**	**–**	**–**	6.3%	–	–	n/a	–	–	n/a	–	–
M. Zafar[7]	**n/a**	**–**	**–**	n/a	–	–	n/a	–	–	n/a	–	–
Average employee (Company)[8]	**6.3%**	**3.6%**	**5.8%**	19.4%	10.0%	9.5%	13.3%	6.5%	157.4%	7%	34%	14%
Average employee (Group)	**3.1%**	**-12%**	**5%**	5.4%	28.8%[9]	-7.8%	9.4%	3.8%	45.7%	3.3%	5%	(20%)

1 Appointed as Chief Executive with effect from 1 November 2020 and therefore the annual percentage change in remuneration between 2019 and 2020 and between 2020 and 2021 is not applicable.

2 Appointed as Chief Financial Officer with effect from 1 October 2019 and therefore the annual percentage change in remuneration between 2019 and 2020 is not applicable.

3 Appointed as Non-Executive Director with effect from 1 April 2019 and therefore the annual percentage change in remuneration between 2019 and 2020 is not applicable. Succeeded Lisa Clement as Senior Independent Director and Chair of the Remuneration Committee with effect from 1 November 2020. A fee for chairing the ESG Committee was introduced with effect from 1 January 2022.

4 Appointed as Non-Executive Director with effect from 19 March 2019 and therefore the annual percentage change in remuneration between 2019 and 2020 is not applicable.

5 Appointed as Non-Executive Director with effect from 1 September 2020 and therefore the annual percentage change in remuneration between 2019 and 2020 and between 2020 and 2021 is not applicable.

6 Appointed as Non-Executive Director with effect from 3 November 2020 and therefore the annual percentage change in remuneration between 2019 and 2020 and between 2020 and 2021 is not applicable.

7 Appointed as Non-Executive Director with effect from 1 June 2022 and therefore the annual percentage change in remuneration is not applicable.

8 Calculated by reference to employees (excluding Directors) of the Company to satisfy the disclosure obligations under The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019. However, given that the Company only employs a small proportion of the Group's employees, the row below cites the equivalent figures calculated by reference to employees (excluding Directors) of the Company and its subsidiaries.

9 A one-off non-contractual payment of £2,000 was made to all employees (excluding the Executive team) during 2022 to provide some support during the "cost of living crisis". This payment is included within the 2022 benefits figure. There have been no recent changes to the broader benefits available to our employees. Car allowances are determined by internal gradings and applied consistently. Private medical insurance is available to all employees, their spouses/partners and dependants on the same terms.

Directors' Remuneration Report continued

Chief Executive pay ratio

The Group has fewer than 250 UK employees and is not therefore required to disclose a Chief Executive pay ratio. However, in line with best practice, the Committee considers it appropriate to disclose the pay ratio voluntarily.

The table below sets out the Chief Executive's total remuneration as a ratio against the full-time equivalent remuneration of employees for the year ended 31 December 2021 to 31 December 2023.

Year ended	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
31 December 2023	16:1	12:1	8:1
31 December 2022	15:1	10:1	7:1
31 December 2021	18:1	12:1	8:1

For each year, the Company has calculated the ratio in line with the reporting regulations using Option A. Option A methodology was selected on the basis that it is a robust approach and is preferred by shareholders and proxy voting agencies. The calculations for the representative employees were performed as at the final day of the relevant financial year.

A substantial proportion of the Chief Executive's total remuneration is performance related and delivered in shares. The ratios will therefore depend significantly on the Chief Executive's annual bonus and RSP outcomes and may fluctuate year-on-year.

The Board believes that the median pay ratio is consistent with the pay, reward and progression policies for the wider workforce.

The table below sets out the pay and benefits figures used to calculate the ratios and the salary component.

Year ended		Chief Executive[1]	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
31 December 2023	Total pay and benefits	£1,065,277	£66,265	£87,188	£128,102
	Salary	£442,680	£42,520	£61,600	£87,999
31 December 2022	Total pay and benefits	£815,256	£56,033	£78,384	£115,409
	Salary	£421,600	£35,309	£60,000	£77,996
31 December 2021	Total pay and benefits[2]	£823,893	£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 128.

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. With the exception that the vesting of awards under the RSP are omitted from the employee calculations.

Relative importance of spend on pay

Total employee pay expenditure			Distribution to shareholders		
2023	2022	% change	**2023**	2022	% change
£17.67m	£13.69m	29.1%	**£4.7m**	£4.3m	10%

Total employee pay in the year reflected the full year impact of increased employee numbers recruited during 2022 and further employees who joined the company in 2023, albeit headcount was increased at a slower rate than the preceding year, with the average number of employees rising from 113 to 121.

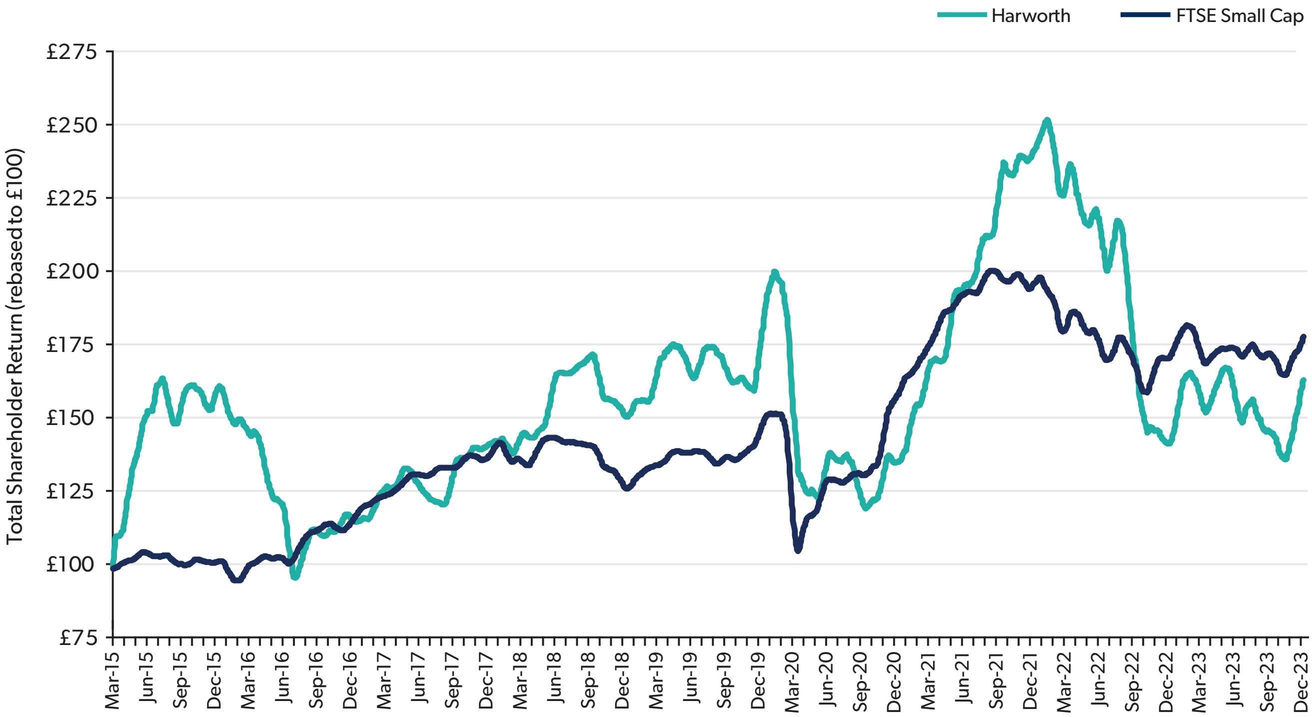
Total dividends declared for 2023 were 1.466p per share (2022: 1.333p per share), resulting in total dividends of £4.7m (2022: £4.3m). The percentage change is shown on a per share basis.

Review of past performance

The following chart shows the Total Shareholder Return ('TSR') of the Company and the FTSE SmallCap Index over the period from the Company's relisting on 24 March 2015 to 31 December 2023. The FTSE SmallCap Index represents the most appropriate broad index comparison for a company of Harworth's size. The table below shows the Chief Executive's 'single-figure' remuneration over the same period.

Historical TSR performance

Growth in the value of a hypothetical £100 holding (including re-investment of dividends) over the period from re-listing on 24 March 2015 to 31 December 2023:



Source: Refinitive 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
2023	L. Shillaw	£1,072	75.2%	100%[1]
2022	L. Shillaw	£815	62.5%	n/a
2021	L. Shillaw	£824	90.5%	n/a
2020	L. Shillaw	£76	n/a	n/a
	O. Michaelson	£559	51.34%	5.05%
2019	O. Michaelson	£669	44.2%	51.5%
2018	O. Michaelson	£901	85.6%	51.8%
2017	O. Michaelson	£1,392	80.6%	n/a[2]
2016	O. Michaelson	£599	90.0%	n/a
2015	O. Michaelson	£480	85.6%	n/a

1 Vesting of the first tranche of the 2021 RSP award.

2 Excludes vesting of Harworth Estates Long-Term Incentive Plan award as this was a one-off scheme put in place by HEPGL in 2013.

Directors' Remuneration Report continued

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 2023.

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 third tranche of the 2019 RSP award vested in full (41,179 shares) in March 2024.

Two-thirds of the second tranche of the 2020 RSP award vested (34,722 shares) in March 2024. The vested shares will be subject to a holding period until March 2025.

Directors' interests (audited)

The following table sets out the beneficial interests of the Directors and their connected persons in the share capital of the Company as at 31 December 2023. None of the Directors have a beneficial interest in the shares of any other Group Company. Details of Directors' share options are also set out in the table below. Current shareholding as a percentage of salary is based on the mid-market closing price for the shares on 29 December 2023 of £1.215.

	Shares held		Options held					
	Beneficially owned	Unvested & not subject to performance[1]	Unvested & subject to performance[2]	Vested and subject to holding period (unexercised)[3]	Unvested and not subject to performance[4]	Shareholding requirement % salary	Current shareholding % salary	Requirement met?
L. Shillaw	198,454	10,997	519,474	–	75,583	200%	141%	No
K. Patmore	69,097	10,997	428,782	32,051	22,430	200%	121%	No
A. Lyons	350,000	–	–	–	–	n/a	n/a	n/a
M. Bowes	–	–	–	–	–	n/a	n/a	n/a
A. Bromfield	36,264	–	–	–	–	n/a	n/a	n/a
R. Cooke	–	–	–	–	–	n/a	n/a	n/a
S. Underwood	38,385	–	–	–	–	n/a	n/a	n/a
L. Scenna	–	–	–	–	–	n/a	n/a	n/a
P. O'Donnell Bourke	40,000	–	–	–	–	n/a	n/a	n/a
M. Zafar	–					n/a	n/a	n/a

1 Free share awards and matching share awards under the Share Incentive Plan.

2 Nil-cost options granted under the RSP that remain unvested as at 31 December 2023.

3 Nil-cost options granted under the RSP that have vested but remain subject to a holding period as at 31 December 2023.

4 Options granted under the Save As You Earn scheme, and deferred share bonus awards granted in 2023.

As at 18 March 2024, shares held by Lynda Shillaw and Kitty Patmore were 210,486 and 81,129 respectively, as a result of partnership shares and matching shares awarded under the Share Incentive Plan. There have been no further changes to the holdings listed above between 31 December 2023 and 18 March 2024.

Angela Bromfield
Chair of the Remuneration Committee
18 March 2024

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

Directors' Report

Introduction

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2023.

Some of the matters required to be included in this Directors' Report can be found in the Strategic Report or elsewhere in the Governance Report as indicated below:

	Reference
Annual General Meeting	Chair's Introduction, page 81 Statement of Corporate Governance, page 97
Auditors	Audit Committee Report, pages 111 to 112
Composition and operation of administrative, management and supervisory bodies and committees	Statement of Corporate Governance, pages 93 to 94
Directors' interests in shares	Directors' Remuneration Report, page 138
Directors' remuneration	Directors' Remuneration Report, pages 116 to 138
Disclosure of information to auditors	Statement of Directors' Responsibilities, page 145
Diversity	Nomination Committee Report, pages 102 to 106
Employee numbers	Nomination Committee Report, page 105
Employee engagement	Statement of Corporate Governance, page 90
Employees with disabilities	Nomination Committee Report, page 106
Employee share schemes	Directors' Remuneration Report, page 117
Future developments of the business	Strategic Report, page 17
Going concern	Statement of Directors' Responsibilities, pages 144 to 145
Greenhouse gas emissions	Strategic Report, pages 68 and 69
Post balance sheet events	Financial Statements, Note 31, page 206
Risk management and internal controls	Strategic Report, pages 48 to 60 Audit Committee Report, pages 112 to 113
Stakeholders, including regard to the need to foster relationships with suppliers, customers and others	Section 172 Statement, pages 42 to 47
Significant related party transactions	Financial statements, Note 30, pages 205 to 206
Viability Statement	Strategic Report, pages 39 to 41
UK Corporate Governance Code	Statement of Corporate Governance, page 86

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.

Directors' Report continued

Financial results and dividends

The Group's profit before taxation for the financial year ended 31 December 2023 was £49.8m (2022: £30.9m). The net assets attributable to shareholders of the Group increased to £637.7m (2022: £602.7m) over the financial year. During the year, the Group's EPRA NDV* per share increased by 4.4% to 205.1p (2022: 196.5p).

The Board is recommending a final dividend of 1.022 pence per share, which, together with the interim dividend of 0.444 pence per share paid in October 2023, makes a combined dividend of 1.466 pence (2022: 1.333 pence) per share. Payment of the final dividend, if approved at the 2024 AGM, will be made on 24 May 2024 to shareholders on the register at the close of business on 26 April 2024. The ex-dividend date will be 25 April 2024. The dividend paid in the year to 31 December 2023 was 1.373 pence (2022: 1.249 pence) per share, comprising the 2022 final dividend of 0.929 pence per share and the interim dividend of 0.444 pence per share for 2023.

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 203. 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 2024 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 2023 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 2024 AGM and a resolution will be proposed for its renewal.

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

The Company's issued share capital as at 31 December 2022 was 323,051,124 ordinary shares of 10 pence each. During 2023 the issued share capital was increased as follows:

Date (2023)	Description	Number of shares issued	Price (discount if applicable)
16 January	Grant of SIP Matching Shares	5,712	Nil consideration
15 February	Grant of SIP Matching Shares	10,194	Nil consideration
15 March	Grant of SIP Matching Shares	4,794	Nil consideration
17 April	Grant of SIP Matching Shares	10,788	Nil consideration
12 May	Grant of SIP Free Shares	345,912	Nil consideration
15 May	Grant of SIP Matching Shares	6,278	Nil consideration
15 June	Grant of SIP Matching Shares	15,026	Nil consideration
17 July	Grant of SIP Matching Shares	14,092	Nil consideration
01 August	Exercise of SAYE options	132,743	£0.739 (34.6%)
15 August	Grant of SIP Matching Shares	16,290	Nil consideration
23 August	Exercise of SAYE options	123,975	£0.739 (31.9%)
15 September	Grant of SIP Matching Shares	20,168	Nil consideration
20 September	Exercise of SAYE options	18,267	£0.739 (30.6%)
04 October	Exercise of SAYE options	183,892	£0.739 (27.6%)
16 October	Grant of SIP Matching Shares	13,292	Nil consideration
18 October	Exercise of SAYE options	58,455	£0.739 (24.6%)
15 November	Grant of SIP Matching Shares	14,356	Nil consideration
29 November	Exercise of SAYE options	24,356	£0.739 (33.4%)
15 December	Grant of SIP Matching Shares	14,358	Nil consideration

As such, as at 31 December 2023, the Company's issued share capital was 324,084,072 ordinary shares of 10 pence each.

Since 31 December 2023, the Company's issued share capital has increased to 324,116,609 ordinary shares of 10p each, as follows:

Date (2024)	Description	Number of shares issued	Price (discount if applicable)
03 January	Exercise of SAYE options	14,614	£0.739 (40.6%)
24 January	Exercise of SAYE options	7,307	£0.739 (43.8%)
15 February	Grant of SIP Matching Shares	9,764	Nil consideration
15 March	Grant of SIP Matching Shares	852	Nil consideration

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 2023 AGM, the shareholders gave authority to the Directors to disapply 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 2023 AGM. The Directors propose to renew this authority at the 2024 AGM.

Directors' Report continued

Purchase of the Company's own shares

The Company has authority under a shareholders' resolution passed at the 2023 AGM to purchase up to 32,307,182 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 2024 AGM. No shares have been purchased by the Company under this authority. A special resolution will be proposed at the 2024 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 2023 and up to the date of this Report are:

Non-Executive Chair
Alastair Lyons

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
Marzia Zafar

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 127 and 138 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 2024 AGM.

In accordance with the UK Corporate Governance Code, all Directors will offer themselves for re-election at the 2024 AGM, but Steven Underwood will step down from the Board on 31 December 2024.

Save as set out on page 91 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 to minimise any potential adverse effects of its performance on the Group's financial health. Further detail, including use of financial instruments as appropriate as part of managing the interest rate risk on external borrowings, is set out in Note 23 to the Financial Statements.

Directors' indemnities, insurance and independent advice

The Company maintains Directors' and Officers' liability insurance. To the extent permitted by UK law, the Company indemnifies its Directors and senior executives against claims brought against them as a consequence of the execution of their duties as Directors of the Company. The Board has established a procedure by which any Director, for the purpose of furthering their duties, may take independent professional advice at the Company's expense. No Director had reason to use this facility in 2023.

Charitable and political donations

The Group made charitable donations during 2023 in the aggregate sum of £33,047 (2022: £34,330).

No political donations were made during the year (2022: £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 2023 AGM for certain political donations and expenditure, subject to financial limits, and will seek to renew this authority at the 2024 AGM.

Employee Benefit Trust[1]

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, including deferred bonus awards granted to Executive Directors. Shares issued pursuant to Share Incentive Plan awards are held by Equiniti Share Plan Trustees Limited pending maturity. At 31 December 2023, the EBT held 63,657 (2022: 5,669) ordinary shares of 10 pence each in the Company and Equiniti Share Plan Trustees Limited held 1,017,580 (2022: 470,376) ordinary shares of 10 pence each in the Company, being in aggregate 1,081,237 (2022: 476,045) shares, which represent 0.33% of the Company's issued share capital as of 31 December 2023. The EBT has waived its right to receive dividends on shares that it holds beneficially in respect of awards that have not vested.

1 The number of shares held by Equiniti Share Plan Trustees Limited is higher than the number of the Company's own shares held as stated in Note 26 of the Financial Statements due to Partnership shares held under the SIP.

Amendment of Articles of Association

The Articles of Association may be amended by special resolution of the shareholders.

General meetings

An AGM must be called on at least 21 days' clear notice, although the Company typically gives not less than 20 working days' notice of its AGM following the Guidance on Board Effectiveness.

All other general meetings are also required to be held on at least 21 days' clear notice unless the Company offers shareholders an electronic voting facility. A special resolution reducing the period of notice for general meetings (other than AGMs) to not less than 14 days was passed at the 2023 AGM. The Directors are proposing to seek renewal of that authority at the 2024 AGM.

Substantial shareholdings and agreements with shareholders

As at the date of this Report, the Company had been notified, pursuant to paragraph 5 of the FCA's Disclosure and Transparency Rules, of the following notifiable voting rights:

Name of holder	Number of ordinary shares	Percentage of total voting rights
London and Amsterdam Trust Company	85,100,257	26.26%
Pension Protection Fund	73,966,672	22.82%
Goodweather Holdings Limited[1]	65,660,000	20.26%
Schroder Investment Management	11,564,033	3.57%
Janus Henderson Investors	10,765,696	3.32%

1 Goodweather Holdings Limited is a member of the Peel Group.

The Company's relationship with the Pension Protection Fund ('PPF') is governed by a relationship agreement pursuant to which, amongst other things, the PPF is entitled to appoint a representative Director to the Board.

Change of control provisions

Under the terms of the RCF 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 2023 are disclosed in Note 30 to the Financial Statements.

The Directors' Report was approved by the Board of Directors and signed on its behalf by:

Chris Birch
General Counsel and Company Secretary
18 March 2024

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors have elected to prepare the Group and Company Financial Statements in accordance with UK-adopted international accounting standards ('IFRSs'). Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing these Financial Statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company financial position and financial performance;
- in respect of the Group Financial Statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- in respect of the Company Financial Statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company and/or the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Company and the Group Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Responsibility statements

The Directors (see the list of names and roles on pages 82 to 85) confirm, to the best of their knowledge:

- that the consolidated Financial Statements, prepared in accordance with UK-adopted international accounting standards give a true and fair view of the assets, liabilities, financial position and profit of the Company and undertakings included in the consolidation taken as a whole;
- that the Annual Report, including the strategic report, includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- that they consider the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Going concern basis

These Financial Statements are prepared on the basis that the Group is a going concern. In forming its opinion as to going concern, the Company prepares cash flow and banking covenant forecasts based upon its assumptions with particular consideration to the key risks and uncertainties and the current macro-economic environment as well as taking into account available borrowing facilities. The going concern period assessed is until June 2025 which has been selected as it can be projected with a good degree of expected accuracy.

A key focus of the assessment of going concern is the management of liquidity and compliance with borrowing facilities for the period to June 2025. In 2022, a five year £200m RCF was agreed with HSBC joining as a new lender in addition to lenders NatWest and Santander. The RCF is aligned to the Group's strategy and provides significant liquidity and flexibility to enable it to pursue its strategic objectives. The facility is subject to financial covenants, including minimum interest cover, maximum infrastructure debt as a percentage of property value and gearing, all of which are tested through the going concern assessment undertaken. Available liquidity, including cash and cash equivalents and bank facility headroom, was £192.2m as at 31 December 2023.

The Group benefits from diversification across its Capital Growth and Income Generation businesses including its industrial and renewable energy property portfolio. Taking into account the independent valuation by BNP Paribas and Savills, the Group net LTV* remains low at 4.7%, within the Board's target range and with headroom to allow for falls in property values. Rent collection remained strong, with 98% collected to date for 2023.

In addition to a base cashflow 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 in 2023 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. increases in interest rates, impacting the cost of the Group's borrowings.

A scenario was also run which demonstrated that very severe loss of revenue, valuation reductions and interest cost increases would be required to breach cashflow and banking covenants. The Directors consider this very severe scenario to be remote. A scenario with consideration of potential climate change and related transition impacts was also examined as part of the Group's focus on climate-related risks and opportunities.

Under each downside scenario, for the going concern period to June 2025, the Group expects to continue to have sufficient liquidity 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 liquidity and covenant headroom.

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

Disclosure of information to the auditor

Each of the Directors who were in office at the date of approval of this Report also confirms that:

- so far as they are aware, there is no relevant audit information of which the auditor is unaware; and
- each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant information and to establish that the Group's and Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 Companies Act.

This Statement of Directors' Responsibilities was approved by the Board and signed by order of the Board.

Chris Birch

General Counsel and Company Secretary
18 March 2024

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

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 2023 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 2023 which comprise:

Group	**Parent company**
Consolidated balance sheet as at 31 December 2023	Balance sheet as at 31 December 2023
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Statement of cash flows for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 31 to the financial statements, including material accounting policy information
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 31 to the financial statements, including material accounting policy information	

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 2025. 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 property sales, significant development spend, decline in land and investment property values, and an increase in overheads and interest rates. In this scenario the Group continues to have sufficient cash reserves and headroom on lending facilities and associated covenants

Independent auditor's report to the members of Harworth Group Plc

- testing the assumptions included in each modelled scenario for the cash forecasts and covenant calculations, considering the impact of challenging macro-economic environment on forecasted property sales, property values, overheads, and interest cost. We also considered the appropriateness of the models used to calculate the cash flow forecasts and covenant calculations to determine if they were appropriate to be able to make an assessment on going concern;
- considering the mitigating factors that could be applied to the cash flow forecasts and covenant calculations that are within control of the Group, for example, reducing uncommitted development expenditure. This included review of the Company's non-operating cash outflows;
- verifying the credit facilities available to the Group including the five-year, £200m revolving credit facility which is due to expire in March 2027;
- performing reverse stress testing in order to identify what factors would lead to the Group utilising all liquidity or breaching the financial covenants during the going concern period;
- performing our own independent sensitivity analysis to assess the impact of changes in key assumptions, including forecasted property sales;
- reviewing the Group's going concern disclosures included in the Annual Report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period to 30 June 2025.

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 one full scope reporting component, being the group as a whole. • We performed full audit procedures on 100% of the Group's Total Assets, the Group's Profit before tax and the Group's Revenue.
Key audit matters	• Valuation of Investment Property and Assets held for sale • Carrying value of Development Property • Revenue recognition
Materiality	• Overall group materiality of £8.3m which represents 1% of total assets. • Specific group materiality of £1.3m which equates to 20% of performance materiality

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, the potential impact of climate change and other factors when assessing the level of work to be performed at each company.

During the year, we changed our approach to scoping and defined the group as one full scope reporting component, whereas in the prior year, we considered each of the 40 legal entities as individual reporting components. Of these, 5 were designated as full scope, 6 as specific scope and 29 review scope.

The reporting components where we performed audit procedures accounted for 100% (2022: 100%) of the Group's Total Assets, 100% (2022: 100%) of the Group's Profit before tax and 100% (2022: 99%) of the Group's Revenue.

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Climate change

Stakeholders are increasingly interested in how climate change will impact Harworth Group Plc. The Group has determined that the most significant future impacts from climate change on its operations will be in relation to transition risks and physical risks, these are explained on pages 61 to 67 in the required Task Force On Climate Related Financial Disclosures and on page 59 in the principal risks and uncertainties. They have also explained their climate commitments on pages 72 and 73. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained in the accounting policies (note 1) its articulation of how climate change has been reflected in the financial statements. There are no significant judgements or estimates relating to climate change in the notes to the financial statements

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments, the effects of material climate risks disclosed on page 41 and the significant judgements and estimates disclosed in note 1 and whether these have been appropriately reflected in the valuation of property portfolio following the requirements of IAS 40 'Investment Property' in relation to the investment properties and IAS 2 'Inventories' in relation to the development property. As part of this evaluation, we performed our own risk assessment, supported by our climate change and property valuation internal specialists, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report to the members of Harworth Group Plc

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of Investment Property and Assets held for sale (2023: £433.9m, 2022: £460.2m) *Refer to the Audit Committee Report (page 111); Accounting policies (note 1); and Note 14 of the Consolidated Financial Statements (pages 182-186)* At 31 December 2023 Investment property held a value of £433.9m (2022: £400.4m), with a valuation gain of £71.3m (2022: £19.7m loss) reported in the year. Investment properties designated as assets held for sale held a value of £18.8m (2022: £59.8m) Management use an independent external valuer to assist them in calculating the property valuations. There are 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 fair value is misstated given the inherent uncertainty and judgement within these assumptions. In addition, there is a risk that management inappropriately override the valuation determined by the external valuer.	Our testing approach to Investment properties included: Performing a walkthrough to understand the key process and identify key controls. Assessing the appropriateness of the valuations, with the assistance of our EY Valuations specialists, through: • Assessing the competence and objectivity of the external valuer and attending a sample of sites, alongside the external valuer to gain a detailed understanding of the portfolio and the valuation process and to observe the specialist's inspection; • Reading the external valuer reports for a sample of sites and holding discussions directly with the external valuer regarding its valuation approach, including its consideration of climate risk; • Validating, for a sample of sites, 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. Using this information in order to calculate an independent valuation range for each sampled site and assessing whether management's valuation falls within this range; • 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); • For a sample of sites under construction, we tested a sample of costs incurred to third party invoices to ensure they had been accounted for correctly and coded to the correct project. We validated cost to complete assumptions to third party surveyor reports and also held a discussion with management and third party surveyors to assess the appropriateness of climate related costs included and corroborated their inclusion to the surveyor reports obtained; • Considering the location of a sample of sites within the UK and assessing whether there was any impairment risk due to potential flooding; • Testing the appropriateness of any material adjustments from the valuation determined by the external valuer to the book value recorded; and • Confirming the classification of sites is appropriate. We performed the above audit procedures over this risk area at a Group level covering 100% of the risk amount.	Based on the work performed, we consider that the external valuers' methodologies used in developing the estimate are consistent with valuation practice given the characteristics of the assets being measured. Our work did not identify evidence to contradict the external valuers' significant assumptions used in developing the estimate as at the balance sheet date. We consider that the valuation of investment properties and assets held for sale as at the balance sheet date is appropriate

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Carrying value of Development Property (2023: £250.0m, 2022: £205.0m) *Refer to the Audit Committee Report (page 111); Accounting policies (note 1); and Note 16 of the Consolidated Financial Statements (pages 164-171 and 190-191)* Development property has a book value of £250m (2022: £205m) at 31 December 2023. The Group's portfolio consists of a range of assets at varying stages of development, across various sectors and geographies. A risk exists that the carrying value of development property is overstated given the inherent judgements in determining the net realisable value, such as value per acre/plot or planning permission uncertainty, as well as costs to complete. In addition, there is a risk that management inappropriately override the valuation determined by the external valuer. Management bonuses include a significant proportion based on NDV and therefore there exists an incentive for management to maximise this value.	Our approach to assessing the net realisable value of development property included performing the same procedures as for investment property, as listed above. In addition, we then compared the valuation to the carrying value to assess the appropriateness of the NRV provision recorded. We performed the above audit procedures over this risk area at a Group level covering 100% of the risk amount.	Based on the work performed, we consider that the external valuers' methodologies used in developing the estimate 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 valuers' significant assumptions used in developing the estimate as at the balance sheet date. We consider that the carrying value of development properties held as at the balance sheet date is appropriate.
Revenue recognition – manual adjustments and cut-off (2023: £72.4m, 2022: £166.7m) *Refer to the Accounting policies (note 1); and Note 3 of the Consolidated Financial Statements (pages 173-176)* Revenue for the year ended 31 December 2023 is £72.4m, made up of £46.7m from the Sale of Development Property, £23.4m from Income Generation activities and £2.3m from Other Revenue activities. There is a risk that management could override controls impacting on the amount of revenue recorded in the period. This could be achieved either via posting journal entries that fall outside of the standard flow of transactions (all streams) or recognising property sales in the incorrect year.	Our approach included: • Performing walkthroughs to understand the key processes and identify key controls. • Testing material journals posted to revenue (all streams) that do not follow our expected flow of transactions for that stream or that have been posted as part of the consolidation/financial close process. For each, we have corroborated to supporting documentation to confirm there is a valid business rationale. **Development Property Sales:** • Testing all material property disposals to confirm revenue recognised in the year is in line with the contract terms and completion date. • Testing all material January 2024 disposals to confirm revenue should be recorded post year end. We performed the above audit procedures over this risk area at a Group level covering 100% of the risk amount.	Based on our audit procedures we have concluded that revenue has been recognised appropriately and that there was no evidence of management bias.

Independent auditor's report to the members of Harworth Group Plc

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £8.3 million (2022: £7.8 million), which is 1% (2022: 1%) of total assets. We believe that total assets provide us with 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.

We determined materiality for the Parent Company to be £2.1 million (2022: £2.4 million), which is 1% (2022: 1%) of total assets, being the primary focus of the users of the financial statements.

During the course of our audit, we reassessed initial materiality and amended it for the year end results.

Specific materiality

We assessed that for account balances related to the income generation segment of the business, a misstatement of less than overall materiality for the financial statements could influence the economic decisions of users. We determined specific materiality for these areas to be £1.3m which equates to 20% of performance materiality based on the quantum of these account balances.

During the course of our audit, we reassessed initial materiality and amended it for the year end results.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2022: 75%) of our planning materiality, namely £6.3m (2022: £5.9m). We have set performance materiality at this being our fourth 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 (2022: £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 1 to 145, 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
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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.

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.

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 144 and 145;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 39;
- 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 144 and 145;
- Directors' statement on fair, balanced and understandable set out on page 144;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 50 to 60;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 112 and 113; and;
- The section describing the work of the audit committee set out on page 107 to 113.

Independent auditor's report to the members of Harworth Group Plc

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 144 and 145, 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 are those that relate to the reporting framework (UK adopted International Accounting Standards, the Companies Act 2006 and the UK Corporate Governance Code). We understood how Harworth Group Plc is complying with those frameworks by making inquiries of management, those responsible for legal and compliance procedures and the Company Secretary.
- We 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 2018.

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 four years, covering the years ended 31 December 2020 to 31 December 2023.

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

Victoria Venning (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester

18 March 2024

Consolidated income statement

for the year ended 31 December 2023

	Note	**Year ended 31 December 2023 £'000**	Year ended 31 December 2022 £'000
Revenue	3	**72,427**	166,685
Cost of sales	3	**(60,077)**	(83,292)
Gross profit	3	**12,350**	83,393
Administrative expenses	3	**(27,435)**	(22,090)
Other gains/(losses)	3	**69,426**	(16,761)
Other operating expense	3	**(112)**	(56)
Operating profit	3	**54,229**	44,486
Finance costs	6	**(6,421)**	(6,367)
Finance income	6	**445**	227
Share of profit/(loss) of joint ventures	15	**1,554**	(7,487)
Profit before tax		**49,807**	30,859
Tax charge	8	**(11,851)**	(3,021)
Profit for the year		**37,956**	27,838

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	**11.8**	8.6
Diluted earnings per share	11	**11.5**	8.5

The Notes on pages 164 to 206 are an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2023

	Note	**Year ended 31 December 2023 £'000**	Year ended 31 December 2022 £'000
Profit for the financial year		**37,956**	27,838
Other comprehensive (expense)/income – *items that will not be reclassified to profit or loss:*			
Net actuarial (loss)/gain in Blenkinsopp Pension scheme	24	**(10)**	295
Revaluation of Group occupied property		**(167)**	(133)
Deferred tax on other comprehensive income/(expense) items	8	**3**	(101)
Other comprehensive income – *items that may be reclassified to profit or loss:*			
Fair value of financial instruments	22	**–**	156
Total other comprehensive (expense)/income		**(174)**	217
Total comprehensive income for the year		**37,782**	28,055

Consolidated balance sheet

as at 31 December 2023

	Note	**As at 31 December 2023 £'000**	As at 31 December 2022 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**1,670**	600
Right of use assets	13	**512**	254
Trade and other receivables	17	**11,296**	4,013
Investment properties	14	**433,942**	400,363
Investments in joint ventures	15	**30,722**	29,828
		478,142	435,058
Current assets			
Inventories	16	**263,073**	216,393
Trade and other receivables	17	**37,289**	56,658
Assets held for sale	18	**18,752**	59,790
Cash	19	**27,182**	11,583
		346,296	344,424
Total assets		**824,438**	779,482
LIABILITIES			
Current liabilities			
Borrowings	20	**(29,744)**	(3,067)
Trade and other payables	21	**(88,087)**	(82,499)
Lease liability	13	**(158)**	(82)
Current tax liabilities	8	**(2,643)**	(7,013)
		(120,632)	(92,661)
Non-current assets		**225,664**	251,763
Non-current liabilities			
Borrowings	20	**(33,830)**	(56,911)
Trade and other payables	21	**(1,757)**	(2,819)
Lease liability	13	**(397)**	(172)
Deferred income tax liabilities	8	**(30,089)**	(24,141)
Retirement benefit obligations	24	**(11)**	(114)
		(66,084)	(84,157)
Total liabilities		**(186,716)**	(176,818)
Net assets		**637,722**	602,664
SHAREHOLDERS' EQUITY			
Called up share capital	26	**32,408**	32,305
Share premium account	27	**25,034**	24,688
Fair value reserve		**225,177**	174,520
Capital redemption reserve		**257**	257
Merger reserve		**45,667**	45,667
Investment in own shares		**(99)**	(50)
Retained earnings		**271,322**	297,439
Current year profit		**37,956**	27,838
Total shareholders' equity		**637,722**	602,664

The financial statements on pages 156 to 206 were approved by the Board of Directors on 18 March 2024 and were signed on its behalf by:

Lynda M. Shillaw

Lynda Shillaw
Chief Executive

K. Patmore

Katerina Patmore
Chief Financial Officer

Company Registered Number 02649340

Company balance sheet

as at 31 December 2023

ASSETS	Note	**As at 31 December 2023 £'000**	As at 31 December 2022 £'000
Non-current assets			
Investment in subsidiaries	15	**210,844**	209,864
Trade and other receivables	17	**23,337**	28,647
Retirement reimbursement asset	24	**11**	114
Deferred income tax assets	8	**143**	112
		234,335	238,737
Current assets			
Trade and other receivables	17	**302**	297
Current tax asset	8	**–**	480
Cash	19	**90**	1,433
		392	2,210
Total assets		**234,727**	240,947
LIABILITIES			
Current liabilities			
Trade and other payables	21	**(41,478)**	(36,347)
Current tax liabilities	8	**(849)**	–
		(42,327)	(36,347)
Net current liabilities		**(41,935)**	(34,137)
Non-current liabilities			
Retirement benefit obligations	24	**(11)**	(114)
		(11)	(114)
Total liabilities		**(42,338)**	(36,461)
Net assets		**192,389**	204,486
SHAREHOLDERS' EQUITY			
Called up share capital	26	**32,408**	32,305
Share premium account	27	**25,034**	24,688
Capital redemption reserve		**257**	257
Merger reserve		**45,667**	45,667
Investment in own shares		**(99)**	(50)
Retained earnings		**98,444**	108,001
Current year loss	9	**(9,322)**	(6,382)
Total shareholders' equity		**192,389**	204,486

The financial statements on pages 156 to 206 were approved by the Board of Directors on 18 March 2024 and were signed on its behalf by:

Lynda Shillaw
Chief Executive

Katerina Patmore
Chief Financial Officer

Company Registered Number 02649340

Consolidated statement of changes in equity

for the year ended 31 December 2023

	Note	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Fair value reserve £'000	Capital redemption reserve £'000	Investment in own shares £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2022		**32,272**	**24,627**	**45,667**	**199,629**	**257**	**(24)**	**275,556**	**577,984**
Profit for the financial year		–	–	–	–	–	–	27,838	27,838
Fair value losses on investment property		–	–	–	(10,019)	–	–	10,019	–
Transfer of unrealised gains on disposal of investment property		–	–	–	(14,957)	–	–	14,957	–
Other comprehensive (expense)/income:									
Actuarial gain in Blenkinsopp pension scheme	24	–	–	–	–	–	–	295	295
Revaluation of group occupied property		–	–	–	(133)	–	–	–	(133)
Fair value of financial instruments	22	–	–	–	–	–	–	156	156
Deferred tax on other comprehensive expense items	8	–	–	–	–	–	–	(101)	(101)
Total comprehensive income for year ended 31 December 2022		**–**	**–**	**–**	**(25,109)**	**–**	**–**	**53,164**	**28,055**
Transactions with owners:									
Purchase of own shares		–	–	–	–	–	(26)	–	(26)
Share-based payments		–	–	–	–	–	–	589	589
Dividends paid	10	–	–	–	–	–	–	(4,032)	(4,032)
Share issue	26,27	33	61	–	–	–	–	–	94
Balance at 31 December 2022		**32,305**	**24,688**	**45,667**	**174,520**	**257**	**(50)**	**325,277**	**602,664**
Profit for the financial year		–	–	–	–	–	–	37,956	37,956
Fair value gains on investment property		–	–	–	76,744	–	–	(76,744)	–
Transfer of unrealised gains on disposal of investment property		–	–	–	(25,920)	–	–	25,920	–
Other comprehensive (expense)/income:									
Actuarial loss in Blenkinsopp pension scheme	24	–	–	–	–	–	–	(10)	(10)
Revaluation of group occupied property		–	–	–	(167)	–	–	–	(167)
Deferred tax on other comprehensive expense items	8	–	–	–	–	–	–	3	3
		–	**–**	**–**	**50,657**	**–**	**–**	**(12,875)**	**37,782**
Transactions with owners:									
Purchase of own shares		–	–	–	–	–	(49)	–	(49)
Share-based payments		–	–	–	–	–	–	1,314	1,314
Dividends paid	10	–	–	–	–	–	–	(4,438)	(4,438)
Share issue	26, 27	103	346	–	–	–	–	–	449
Balance at 31 December 2023		**32,408**	**25,034**	**45,667**	**225,177**	**257**	**(99)**	**309,278**	**637,722**

Company statement of changes in equity

for the year ended 31 December 2023

	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 2022		**32,272**	**24,627**	**45,667**	**257**	**(24)**	**111,103**	**213,902**
Loss for the financial year		–	–	–	–	–	(6,382)	(6,382)
Actuarial gain in Blenkinsopp pension scheme	24	–	–	–	–	–	295	295
Deferred tax on other comprehensive expense items		–	–	–	–	–	(58)	(58)
Total comprehensive expense for the year ended 31 December 2022		**–**	**–**	**–**	**–**	**–**	**(6,145)**	**(6,145)**
Transactions with owners:								
Purchase of own shares		–	–	–	–	(26)	–	(26)
Share-based payments		–	–	–	–	–	693	693
Dividends paid	10	–	–	–	–	–	(4,032)	(4,032)
Share issue	26,27	33	61	–	–	–	–	94
Balance at 31 December 2022		**32,305**	**24,688**	**45,667**	**257**	**(50)**	**101,619**	**204,486**
Loss for the financial year		–	–	–	–	–	(9,322)	(9,322)
Actuarial loss in Blenkinsopp pension scheme	24	–	–	–	–	–	(10)	(10)
Deferred tax on other comprehensive expense items		–	–	–	–	–	3	3
Total comprehensive expense for the year ended 31 December 2023		**–**	**–**	**–**	**–**	**–**	**(9,329)**	**(9,329)**
Transactions with owners:								
Purchase of own shares		–	–	–	–	(49)	–	(49)
Share-based payments		–	–	–	–	–	1,270	1,270
Dividend paid	10	–	–	–	–	–	(4,438)	(4,438)
Share issue	26,27	103	346	–	–	–	–	449
Balance at 31 December 2023		**32,408**	**25,034**	**45,667**	**257**	**(99)**	**89,122**	**192,389**

Consolidated statement of cash flows

for the year ended 31 December 2023

	Note	**As at 31 December 2023 £'000**	As at 31 December 2022 £'000
Cash flows from operating activities			
Profit before tax for the financial year		**49,807**	30,859
Net finance costs	6	**5,976**	6,140
Other (gains)/losses	3	**(69,426)**	16,761
Share of (profit)/loss of joint ventures (including impairment)	15	**(1,554)**	7,487
Share-based transactions[1]	25	**1,404**	728
Depreciation of property, plant and equipment and right of use assets	12,13	**282**	152
Pension contributions in excess of charge	24	**(113)**	(149)
Operating cash (outflows)/inflows before movements in working capital		**(13,624)**	61,978
Decrease in inventories		**5,186**	16,502
Decrease/(increase) in receivables		**18,868**	(6,482)
Increase/(decrease) in payables		**6,937**	(13,137)
Cash generated from operations		**17,367**	58,861
Interest paid		**(4,302)**	(3,998)
Corporation tax paid		**(10,212)**	(17,702)
Cash generated from operating activities		**2,853**	37,161
Cash flows from investing activities			
Interest received		**445**	227
Investment in joint ventures		**(250)**	(1,849)
Distribution from joint ventures		**911**	665
Net proceeds from disposal of investment properties, AHFS and overages		**69,568**	14,232
Property acquisitions		**(19,046)**	(13,445)
Expenditure on investment properties and AHFS		**(35,808)**	(53,107)
Expenditure on property, plant and equipment		**(396)**	(110)
Cash generated from/(used in) investing activities		**15,424**	(53,387)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares		**400**	67
Proceeds from other loans		**5,939**	19,850
Repayment of other loans		**(3,299)**	–
Proceeds from bank loans		**45,000**	154,000
Repayment of bank loans		**(46,000)**	(152,000)
Loan arrangement fees paid		**(162)**	(2,022)
Payment in respect of leases		**(118)**	(91)
Dividends paid	10	**(4,438)**	(4,032)
Cash (used in)/generated from financing activities		**(2,678)**	15,772
Increase / (decrease) in cash		**15,599**	(454)

Cash at 1 January		**11,583**	12,037
Increase / (decrease) in cash		**15,599**	(454)
Cash at 31 December		**27,182**	11,583

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 2023

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Cash flows from operating activities		
Loss before tax for the financial year	**(8,010)**	(6,358)
Net interest receivable	**668**	17
Share-based transactions[1]	**278**	165
Pension contributions in excess of charge, net of movement in reimbursement asset	**(10)**	295
Operating cash outflows before movements in working capital	**(7,074)**	(5,881)
Increase in receivables	**(5)**	(1,193)
Increase in payables	**1,069**	10,060
Cash (used in)/generated from operations	**(6,010)**	2,986
Interest paid	**(2,256)**	(965)
Corporation tax paid	**–**	(480)
Cash (used in)/generated from operating activities	**(8,266)**	1,541
Cash flows from investing activities		
Interest received	**1,588**	948
Cash generated from investing activities	**1,588**	948
Cash flows from financing activities		
Increase in intercompany loans receivable	**5,310**	–
Decrease in intercompany loans payable	**4,063**	–
Net proceeds from issue of ordinary shares	**400**	67
Dividends paid	**(4,438)**	(4,032)
Cash generated from/(used in) financing activities	**5,335**	(3,965)
Decrease in cash	**(1,343)**	(1,476)
Cash at 1 January	**1,433**	2,909
Decrease in cash	**(1,343)**	(1,476)
Cash at 31 December	**90**	1,433

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 2023

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 2023 consolidate the results of the Company and its subsidiaries (together referred to as the 'Group').

Basis of preparation

The Consolidated and Company financial statements of Harworth Group plc have been prepared on the going concern basis and in accordance with UK adopted International Accounting Standards ('IFRS') and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets and liabilities at fair value through profit or loss. The consolidated financial statements are presented in pound sterling and all values are rounded to the nearest thousand (£'000), except when otherwise indicated.

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 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 "Effectively Managing Our Risk" statement starting on page 50. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to fund its operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the annual financial statements.

Going-concern basis

These financial statements are prepared on the basis that the Group is a going concern. In forming its opinion as to going concern, the Company prepares cash flow and banking covenant forecasts based upon its assumptions with particular consideration to the key risks and uncertainties and the current macro-economic environment as well as taking into account available borrowing facilities. The going concern period assessed is until June 2025 which has been selected as it can be projected with a good degree of expected accuracy.

A key focus of the assessment of going concern is the management of liquidity and compliance with borrowing facilities for the period to June 2025. In 2022, a five year £200m RCF was agreed with HSBC joining as a new lender in addition to lenders NatWest and Santander. The RCF is aligned to the Group's strategy and provides significant liquidity and flexibility to enable it to pursue its strategic objectives. The facility is subject to financial covenants, including minimum interest cover, maximum infrastructure debt as a percentage of property value and gearing, all of which are tested through the going concern assessment undertaken. Available liquidity, including cash and cash equivalents and bank facility headroom, was £192.2m as at 31 December 2023.

The Group benefits from diversification across its Capital Growth and Income Generation businesses including its industrial and renewable energy property portfolio. Taking into account the independent valuation by BNP Paribas and Savills, the Group net LTV remains low at 4.7%, within the Board's target range and with headroom to allow for falls in property values. Rent collection remained strong, with 98% collected to date for 2023.

In addition to a base cashflow 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, 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) increases in interest rates, impacting the cost of the Group's borrowings.

A scenario was also run which demonstrated that very severe loss of revenue, valuation reductions and interest cost increases would be required to breach cashflow and banking covenants. The Directors consider this very severe scenario to be remote. A scenario with consideration of potential climate change and related transition impacts was also examined as part of the Group's focus on climate-related risks and opportunities.

1. Accounting policies continued

Under each downside scenario, for the going concern period to June 2025, the Group expects to continue to have sufficient liquidity 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 liquidity and covenant headroom.

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

Changes in accounting policy and disclosures

(a) New standards, amendments and interpretations

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2023. None of these have had 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 2024 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, promotion fees and overages 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, promotion fees and overages is recognised at the point in time when the associated performance obligations contained within the agreements are satisfied.

Royalty income relates to revenue paid by customers who extract natural resources from some of the Group's property and is recognised at the transaction prices set out in the customer contracts in line with the volumes or values of resources extracted as determined by individual contracts.

Service charge income is recognised as revenue in the period to which it relates.

Sales 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. Where sale contracts contain specific performance obligations, the contract price is apportioned to the obligations and the revenue is recognised as the obligations are satisfied in accordance with IFRS 15. 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 continued

for the year ended 31 December 2023

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 and planning promotion agreements.

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

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

Options to purchase land are agreements that the Group has entered into with landowners whereby the Group has the option to purchase their land within a limited timeframe. The landowners are not generally permitted to sell to any other party during this period, unless agreed by the Group. All costs, including the cost of entering into the option, are capitalised. At each reporting date, recoverability of the costs is considered by management and where required provisions are made such that the agreements are held at the lower of cost and net realisable value.

Planning promotion agreements are agreements that the Group has entered into with landowners whereby the Group provides planning and promotion services in exchange for a fixed fee and/or a set percentage of the proceeds or profit of the eventual sale of the land that is the subject of the agreement. The Group promotes the land through the planning process at its own expense. If the land is sold, the Group receives a fee for its services.

The Group incurs various costs in promoting land held under promotion planning agreements, in some instances the agreements allow for the Group to be reimbursed certain expenditure following the conclusion of a successful sale. These costs are held in inventory at the lower of cost and net realisable value.

Investments in subsidiaries

Investments held by the Company in subsidiary undertakings are carried at cost less impairments to write them down to their recoverable amount.

1. Accounting policies continued

Investments in joint ventures

Joint ventures are those entities over whose activities the Group has joint control established by contractual agreement. Interests in joint ventures through which the Group carries on its business are classified as jointly controlled entities and accounted for using the equity method. This involves recording the investment initially at cost to the Group and then, in subsequent years, adjusting the carrying amount of the investment to reflect the Group's share of the joint venture's results less any impairment in carrying value and any other changes to the joint venture's net assets such as dividends.

Impairments in subsidiaries

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

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

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

Investment properties

Investment properties are those properties which are not occupied by the Group and which are held for long-term rental yields, capital appreciation or both. Investment properties also include property that is being developed or constructed for future use as investment property by the Group. Investment properties comprise freehold land and buildings and are measured at fair value. At the end of a financial year the fair values are determined by obtaining an independent valuation prepared in accordance with the current edition of the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors. External, independent valuation firms having appropriate, recognised professional qualifications and recent experience in the location and category of property being valued are used. A transfer to the fair value reserve is made for all fair value gains in the year from retained earnings. Where there have been previous fair value gains transferred to the fair value reserve and fair value losses have been incurred in the year then a transfer is made to retained earnings to offset as much of the fair value losses as possible.

Investment properties are re-categorised as development properties and moved to inventory once planning is secured and where development with a view to sale has commenced.

A transfer from the fair value reserve to retained earnings is made if any net realisable value provision is required on any development property where gains had previously been recorded as an investment property.

At each subsequent reporting date, investment properties are re-measured to their fair value. Movements in fair value are included in the income statement.

Where specific investment properties have been identified as being for sale within the next 12 months, a sale is considered highly probable and the property is immediately available for sale, their fair value is shown under assets held for sale (AHFS) within current assets, measured in accordance with the provisions of IAS 40 'Investment Property'.

Profit or loss on disposal of investment properties

Disposals are accounted for when control of the investment property is passed to a customer, typically at the point of legal completion and when title passes. Profits or losses on disposal arise from deducting the asset's net carrying value, selling costs and where appropriate a proportion of future costs attributable to the development of the overall land area from the net proceeds (being net purchase consideration less any clawback liability arising on disposal) is recognised in the income statement. Net carrying value includes valuation in the case of investment properties.

In the case of investment properties, any fair value reserve for the property disposed of is treated as realised on disposal of the property and transferred to retained earnings.

Investment properties in the course of construction

Directly attributable costs incurred in the course of constructing a property, not including interest, are capitalised as part of the cost of the property. Any resultant change in value is therefore recognised through the next revaluation.

Notes to the financial statements continued

for the year ended 31 December 2023

1. Accounting policies continued

Government grants

Government grants are recognised when there is reasonable assurance that the conditions associated with the grants have been complied with and the grants will be received. Grants related to the development of Investment Property and Development Property are deducted from the cost of the related asset. Grants for the reimbursement of operating expenditure are deducted from the related category of costs in the income statement. Once a government grant is recognised, any related deferred income is treated in accordance with IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance'.

Financial assets

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

Financial assets include cash received from the sale of certain development properties but held in separate bank accounts over which third party infrastructure loan providers have a charge.

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

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

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

Financial liabilities

Liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss or as other liabilities, as appropriate. A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires.

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

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

Pension obligations

The Group contributes to defined contribution schemes for its current employees. The cost is charged to the consolidated income statement as incurred.

Blenkinsopp pension

The Group's only defined benefit pension liability is in respect of the Blenkinsopp Section of the Industry-Wide Mineworkers Pension Scheme.

During the years to 31 December 2023 and 31 December 2022 all contributions have been paid to this scheme by the Company.

In the Company balance sheet, a net liability equal to the IAS 19 (revised) liability is recognised, and an equal amount within non-current assets, due to its ability to call upon an indemnity from Harworth Estates Mines Property Limited for this liability if required. Harworth Estates Mines Property Limited is a wholly owned subsidiary of the Group.

Share-based payments

Equity-settled share-based payments to employees of the Company and its subsidiary undertakings are measured at the fair value of the equity instruments at the date of grant and are expensed on a straight-line basis over the vesting period in the consolidated income statement. The fair value of the equity instruments is determined at the date of grant taking into account any market-based vesting conditions attached to the award. Non-market based vesting conditions are taken into account in estimating the number of awards likely to vest. The estimate of the number of awards likely to vest is reviewed regularly and the expense charge adjusted accordingly.

1. Accounting policies continued

Operating segments

Management has determined the operating segments based upon the operating reports reviewed by the Investment Committee that are used to assess both performance and strategic decisions. Management has identified that the Investment Committee is the Chief Operating Decision Maker in accordance with the requirements of IFRS 8 'Operating Segments'.

The Group is organised into two operating segments: Income Generation and Capital Growth. Group costs are not a reportable segment. However, information about them is considered by the Investment Committee in conjunction with the reportable segments.

The Income Generation segment focuses on generating rental returns from the investment portfolio, rental returns and royalties from energy generation, environmental technologies and the agricultural portfolio, and generating income from recycled aggregates and secondary coal products. The Capital Growth segment focuses on delivering value by developing the underlying investment and development property portfolios, and includes planning and development activity, value engineering, proactive asset management and strategic land acquisition.

All operations are carried out in the United Kingdom.

Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, and liabilities and contingent liabilities, assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Costs related to acquisitions, other than those associated with the issue of debt or equity securities, are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated.

Share capital and reserves

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where shares are issued in direct consideration for acquiring shares in another company, and following which the Group holds at least 90% of the nominal share capital of that company, any premium on the shares issued as consideration is included in a merger reserve rather than share premium.

The merger reserve reflects the premium on the shares issued to the Pension Protection Fund as part of the consideration for the purchase of 75.1% of the issued share capital of Harworth Estates Property Group Limited in 2016.

The fair value reserve reflects the accumulation of fair value adjustments as detailed in the investment property and property, plant and equipment accounting policies.

Notes to the financial statements continued

for the year ended 31 December 2023

1. Accounting policies continued

Property, plant and equipment

Land and buildings relate to Group-occupied properties. These properties are stated at their fair value, based on market values, less any subsequent accumulated depreciation or accumulated impairment loss. Depreciation is provided where it is considered significant having regard to the estimated remaining useful lives and residual values of individual properties. Surpluses on revaluations are recorded in other comprehensive income and credited to the fair value reserve. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. Deficits on revaluations are charged against the fair value reserve to the extent that there are available surpluses relating to the same asset and are otherwise charged to profit or loss.

Office equipment is stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged on these assets so as to write off the cost or valuation of assets over their estimated useful lives of three to four years, using the straight-line method.

Derivatives and hedging

Derivative financial instruments such as interest rate swaps are entered into in order to manage interest rate risks. Such derivative instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedge item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedge risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

The effective portion of the gain or loss on the hedging instrument is recognised through other comprehensive income, while any ineffective portion is recognised immediately in profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale of the hedged item occurs.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

When a derivative is held as an economic hedge for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item. A derivative instrument that is a designated and effective hedging instrument is classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if: 1) a reliable allocation can be made; and 2) it is applied to all designated and effective hedging instruments.

Tax

Current tax

The charge or credit for current tax is based on the results for the year adjusted for items that are either not subject to taxation or for expenditure which cannot be deducted in computing the tax charge or credit. The tax charge or credit is calculated using taxation rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax

Deferred tax is recognised using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax is recognised in respect of all taxable temporary differences and all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses, with certain limited exceptions:

- Deferred tax liability is not recognised when it arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

1. Accounting policies continued

- Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- In respect of taxable or deductible temporary differences associated with investments in subsidiaries and joint ventures, deferred tax liability is not recognised when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future while deferred tax asset is not recognised when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the years in which temporary 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 continued

for the year ended 31 December 2023

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 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 used by Harworth are as follows:

1. Capturing all sources of value creation – Under IFRS, the revaluation movement in development properties which are held in inventory, is not included in the balance sheet. Also, overages are not recognised in the balance sheet until they are highly probable. These movements, which are verified by BNP Paribas and Savills (independent external property valuers), are included within our APMs;
2. Recategorising income statement amounts – Under IFRS, the grouping of amounts, particularly within gross profit and other gains, does not clearly allow Harworth to demonstrate the value creation through its business model. In particular, the statutory grouping does not distinguish value gains (being realised profits from the sales of properties and unrealised profits from property value movements) from the ongoing profitability of the business which is less susceptible to movements in the property cycle. Finally, the Group includes profits from joint ventures within our APMs as our joint ventures conduct similar operations to Harworth, albeit in different ownership structures; and
3. Comparability with industry peers – Harworth discloses some APMs which are European Public Real Estate Association ('EPRA') measures as these are a set of standard disclosures for the property industry and thus aid comparability for our stakeholder users.

Our key APMs

The key APMs that the Group focuses on are as follows:

- Total Return – The movement in EPRA NDV plus dividends per share paid in the year expressed as a percentage of opening EPRA NDV per share
- EPRA NDV per share – EPRA NDV divided by the number of shares in issue less shares held by the Employee Benefit Trust and Equiniti Share Plan Trustees Limited to satisfy Long Term Incentive Plan and Share Incentive Plan awards
- Value gains – These are the realised profits from the sales of properties and unrealised profits from property value movements including joint ventures and the mark to market movement on development properties, AHFS and overages
- Net loan to portfolio value (Net LTV) – Group debt net of cash held expressed as a percentage of portfolio value

Set out in the appendix to these financial statements is a reconciliation of the statutory measures to the APMs for the current reporting period and its comparative.

3. Segmental Information

Segmental Income Statement

31 December 2023

	Capital Growth				
	Sale of Development Properties £'000	Other Property Activities £'000	Income Generation £'000	Central £'000	Total £'000
Revenue[1]	46,731	2,286	23,410	–	72,427
Cost of sales	(51,709)	(2,340)	(6,028)	–	(60,077)
Gross (loss)/profit[2]	**(4,978)**	**(54)**	**17,382**	**–**	**12,350**
Administrative expenses	–	(5,062)	(3,147)	(19,226)	(27,435)
Other gains[3]	–	65,066	4,360	–	69,426
Other operating expense	–	–	–	(112)	(112)
Operating (loss)/profit	**(4,978)**	**59,950**	**18,595**	**(19,338)**	**54,229**
Finance costs	–	–	–	(6,421)	(6,421)
Finance income	–	438	7	–	445
Share of profit of joint ventures	–	892	662	–	1,554
(Loss)/profit before tax	**(4,978)**	**61,280**	**19,264**	**(25,759)**	**49,807**

(1) Revenue

Revenue is analysed as follows:

Sale of development properties	46,731	–	–	–	46,731
Revenue from PPAs	–	776	–	–	776
Build –to –suit development revenue	–	956	–	–	956
Rent, service charge and royalties revenue	–	340	22,657	–	22,997
Other revenue	–	214	753	–	967
	46,731	**2,286**	**23,410**	**–**	**72,427**

(2) Gross (loss)/profit

Gross (loss)/profit is analysed as follows:

Gross (loss)/profit excluding sales of development properties	–	(54)	17,382	–	17,328
Gross loss on sale of development properties*	(618)	–	–	–	(618)
Net realisable value provision on development properties	(7,442)	–	–	–	(7,442)
Release of previous net realisable value provision on development properties	1,213	–	–	–	1,213
Release of previous net realisable value provision on disposal of development properties	1,869	–	–	–	1,869
	(4,978)	**(54)**	**17,382**	**–**	**12,350**

(3) Other gains/(losses)

Other gains/(losses) are analysed as follows:

Increase in fair value of investment properties	–	65,584	5,788	–	71,372
Decrease in the fair value of AHFS	–	(114)	(158)	–	(272)
Loss on sale of investment properties	–	(588)	(365)	–	(953)
Loss on sale of AHFS	–	(134)	(1,006)	–	(1,140)
Profit on sale of overages	–	318	101	–	419
	–	**65,066**	**4,360**	**–**	**69,426**

*Gross loss on sale of development properties includes a reduction of £2.0m (2022: £0.4m) relating to the discounting of deferred consideration receivable.

Notes to the financial statements continued

for the year ended 31 December 2023

3. Segmental Information continued

Segmental Balance Sheet

31 December 2023

	Capital Growth £'000	Income Generation £'000	Central £'000	Total £'000
Non–current assets				
Property, plant and equipment	–	–	1,670	1,670
Right of use assets	–	–	512	512
Other receivables	11,296	–	–	11,296
Investment properties	199,216	234,726	–	433,942
Investments in joint ventures	17,604	13,118	–	30,722
	228,116	**247,844**	**2,182**	**478,142**
Current assets				
Inventories	263,073	–	–	263,073
Trade and other receivables	23,967	11,300	2,022	37,289
AHFS	3,764	14,988	–	18,752
Cash	–	–	27,182	27,182
	290,804	**26,288**	**29,204**	**346,296**
Total assets	**518,920**	**274,132**	**31,386**	**824,438**

Financial liabilities and derivative financial instruments are not allocated to the reporting segments as they are managed and measured at a Group level.

3. Segmental Information continued

Segmental Income Statement

31 December 2022

	Capital Growth				
	Sale of Development Properties £'000	**Other Property Activities £'000**	**Income Generation £'000**	**Central £'000**	**Total £'000**
Revenue[1]	124,956	10,478	31,251	–	166,685
Cost of sales	(68,099)	(6,305)	(8,888)	–	(83,292)
Gross profit[2]	**56,857**	**4,173**	**22,363**	**–**	**83,393**
Administrative expenses	–	(4,123)	(1,877)	(16,090)	(22,090)
Other gains/(losses)[3]	–	17,788	(34,549)	–	(16,761)
Other operating expense	–	–	–	(56)	(56)
Operating profit/(loss)	**56,857**	**17,838**	**(14,063)**	**(16,146)**	**44,486**
Finance costs	–	(168)	–	(6,199)	(6,367)
Finance income	–	227	–	–	227
Share of profit of joint ventures	–	(4,317)	(3,170)	–	(7,487)
Profit/(loss) before tax	**56,857**	**13,580**	**(17,233)**	**(22,345)**	**30,859**

(1) Revenue

Revenue is analysed as follows:

Sale of development properties	124,956	–	–	–	124,956
Revenue from PPAs	–	5,810	–	–	5,810
Build –to –suit development revenue	–	4,215	–	–	4,215
Rent, service charge and royalties revenue	–	426	28,151	–	28,577
Revenue from coal fines	–	–	2,113	–	2,113
Other revenue	–	27	987	–	1,014
	124,956	**10,478**	**31,251**	**–**	**166,685**

(2) Gross profit

Gross profit is analysed as follows:

Gross profit excluding sales of development properties	–	4,173	22,363	–	26,536
Gross profit on sale of development properties	57,252	–	–	–	57,252
Net realisable value provision on development properties	(7,074)	–	–	–	(7,074)
Reversal of previous net realisable value provision on development properties	5,030	–	–	–	5,030
Release of previous net realisable value provision on disposal of development properties	1,649	–	–	–	1,649
	56,857	**4,173**	**22,363**	**–**	**83,393**

(3) Other gains/(losses)

Other gains/(losses) are analysed as follows:

Increase/(decrease) in fair value of investment properties	–	17,958	(37,683)	–	(19,725)
Decrease in the fair value of AHFS	–	(199)	–	–	(199)
Profit on sale of investment properties	–	76	847	–	923
(Loss)/profit on sale of AHFS	–	(216)	2,287	–	2,071
Profit on sale of overages	–	169	–	–	169
	–	**17,788**	**(34,549)**	**–**	**(16,761)**

Notes to the financial statements continued

for the year ended 31 December 2023

3. Segmental Information continued

Segmental Balance Sheet

31 December 2022

	Capital Growth £'000	Income Generation £'000	Central £'000	Total £'000
Non-current assets				
Property, plant and equipment	–	–	600	600
Right of use assets	–	–	254	254
Other receivables	4,013	–	–	4,013
Investment properties	164,533	235,830	–	400,363
Investments in joint ventures	16,462	13,366	–	29,828
	185,008	**249,196**	**854**	**435,058**
Current assets				
Inventories	216,393	–	–	216,393
Trade and other receivables	41,287	14,913	458	56,658
AHFS	2,627	57,163	–	59,790
Cash	–	–	11,583	11,583
	260,307	**72,076**	**12,041**	**344,424**
Total assets	**445,315**	**321,272**	**12,895**	**779,482**

Financial liabilities and derivative financial instruments are not allocated to the reporting segments as they are managed and measured at a Group level.

4. Operating profit

	Note	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Operating profit before tax is stated after charging:			
Net realisable value provision on development properties	16	**4,360**	395
Staff costs	5	**17,670**	13,690
Depreciation of property, plant and equipment and right of use assets	12, 13	**282**	152

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 2023 Number	Year ended 31 December 2022 Number	Year ended 31 December 2023 Number	Year ended 31 December 2022 Number
Management and administration	**121**	107	**3**	3

5. Employee information continued

Remuneration details of these persons were as follows:

	Group		Company	
	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000	**Year ended 31 December 2023 £'000**	Year ended 31 December 2022 £'000
Wages and salaries	**13,768**	10,825	**3,087**	1,399
Share-based payment expense	**1,404**	703	**301**	157
Social security costs	**1,603**	1,383	**407**	278
Post employment benefits	**895**	779	**33**	50
	17,670	13,690	**3,828**	1,884

Key management remuneration relates to the members of the Investment Committee:

	Group	
	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Short term employee benefits	**5,364**	4,514
Post employment benefits	**218**	213
Share-based payment expense	**775**	490
	6,357	5,217

Detailed information relating to Directors' remuneration is disclosed in the Directors' remuneration report on pages 116 to 138 and forms part of these financial statements.

6. Finance costs and finance income

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Total finance income	**445**	227
Finance costs		
– Bank interest	**(2,778)**	(2,206)
– Facility fees	**(1,524)**	(1,791)
– Amortisation of up-front fees	**(671)**	(685)
– Acceleration of amortisation of up-front fees following extinguishment of previous RCF	**–**	(599)
– Other interest	**(1,448)**	(1,086)
Total finance costs	**(6,421)**	(6,367)
Net finance costs	**(5,976)**	(6,140)

During the year no interest has been capitalised in investment or development properties (2022: £nil).

In March 2022 the Group entered into a new RCF replacing the existing facility under different lending terms. This transaction met the definition of a loan extinguishment and led to an acceleration of amortisation on the up-front fees of the previous facility.

Notes to the financial statements continued

for the year ended 31 December 2023

7. Auditors' remuneration

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Fees payable to the Company's auditors and its associates for the audit of the Company and the consolidated financial statements	**380**	330
Fees payable to the Company's auditors and its associates for other services:		
– The audit of the Company's subsidiaries pursuant to legislation	**40**	42
– Other assurance services	**189**	–
	609	372

8. Tax

Analysis of tax (charge)/credit in the year	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Current tax		
Current year	**(6,749)**	(21,650)
Adjustment in respect of prior periods	**907**	(118)
Total current tax charge	**(5,842)**	(21,768)
Deferred tax		
Current year	**(4,779)**	13,504
Adjustment in respect of prior periods	**(987)**	409
Difference between current tax rate and rate of deferred tax	**(243)**	4,834
Total deferred tax (charge)/credit	**(6,009)**	18,747
Tax charge	**(11,851)**	(3,021)
Other comprehensive income items		
Deferred tax - current year	**3**	(101)
Total	**3**	(101)

The tax charge for the year is higher (2022: lower) than the standard rate of corporation tax in the UK of 23.5% (2022: 19%). The differences are explained below:

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Profit before tax	**49,807**	30,859
Profit before tax multiplied by rate of corporation tax in the UK of 23.5% (2022: 19%)	**(11,705)**	(5,863)
Effects of:		
Adjustments in respect of prior periods – deferred taxation	**(987)**	409
Adjustments in respect of prior periods – current taxation	**907**	(118)
Expenses not deducted for tax purposes	**(542)**	(127)
Revaluation gains/(losses)	**252**	(755)
Share of profit/(loss) of joint ventures	**365**	(1,423)
Difference between current tax rate and rate of deferred tax	**(243)**	4,834
Share options	**102**	22
Total tax charge	**(11,851)**	(3,021)

8. Tax continued

The difference between current tax rate and rate of deferred tax of £0.2m (2022: £4.8m) relates to the unwinding of balances previously recognised at 25% and the reduction of the deferred tax liabilities recognised at 25% as a result of in year movements.

At 31 December 2023, the Group had a current tax liability of £2.6m (2022: £7.0m).

The Company has recognised a current tax liability in 2023 of £0.8m (2022: asset £0.5m).

Deferred tax

The following is the analysis of deferred tax liabilities presented in the consolidated balance sheet:

	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Deferred tax assets	**503**	1,839
Deferred tax liabilities	**(30,592)**	(25,980)
	(30,089)	(24,141)

The movements on the deferred income tax account were as follows:

	Investment Properties £'000	Tax Losses £'000	Other Temporary Differences £'000	**Total £'000**
At 1 January 2022	(46,988)	2,558	1,783	**(42,647)**
Recognised in the consolidated income statement	21,008	(2,558)	297	**18,747**
Recognised in the consolidated statement of comprehensive income	–	–	(101)	**(101)**
Recognised in the consolidated statement of equity	–	–	(140)	**(140)**
At 31 December 2022 and 1 January 2023	(25,980)	–	1,839	**(24,141)**
Recognised in the consolidated income statement	(4,612)	–	(1,397)	**(6,009)**
Recognised in the consolidated statement of comprehensive income	–	–	3	**3**
Recognised in the consolidated statement of equity	–	–	58	**58**
At 31 December 2023	(30,592)	–	503	**(30,089)**

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 25% rate (2022: mixture of 25% and a blended rate) as appropriate.

Deferred tax assets and liabilities are offset when there is a legally enforceable 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 £7.7m at 31 December 2023 (2022: £8.1m) have not been recognised owing to the uncertainty as to their recoverability.

The Company has recognised a deferred tax asset in 2023 of £0.1m (2022: £0.1m).

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 £9.3m (2022: £6.4m) and the total comprehensive expense for the financial year was £9.3m (2022: £6.2m). The distributable reserves of the Company are £89.1m (2022: £101.6m).

Notes to the financial statements continued

for the year ended 31 December 2023

10. Dividends

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Interim dividend of 0.444p per share for the six months ended 30 June 2023	**1,437**	–
Full year dividend of 0.929p per share for the year ended 31 December 2022	**3,001**	–
Interim dividend of 0.404p per share for the six months ended 30 June 2022	**–**	1,305
Final dividend of 0.845p per share for the year ended 31 December 2021	**–**	2,727
	4,438	4,032

The Board has declared a final dividend to be paid of 1.022p (2022: 0.929p) per share, bringing the total dividend for the year to 1.466p (2022: 1.333p). The recommended 2023 final dividend and 2023 total dividend represent a 10% increase in line with the Group's policy.

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 2023	Year ended 31 December 2022
Profit from continuing operations attributable to owners of the Company (£'000)	**37,956**	27,838
Weighted average number of shares used for basic earnings per share calculation	**322,767,356**	322,571,783
Basic earnings per share (pence)	**11.8**	8.6
Weighted average number of shares used for diluted earnings per share calculation	**328,653,655**	326,317,353
Diluted earnings per share (pence)	**11.5**	8.5

The difference between the weighted average number of shares used for the basic and diluted earnings per share calculation is due to the effect of share awards and options that are dilutive.

12. Property, plant and equipment

Group Cost or fair value	Land and Buildings £'000	Office Equipment £'000	Total £'000
As at 1 January 2022	635	525	1,160
Additions	–	110	110
Decrease in fair value	(133)	–	(133)
As at 31 December 2022 and 1 January 2023	502	635	1,137
Additions at cost	–	396	396
Transfers from investment property	967	–	967
Decrease in fair value	(169)	–	(169)
As at 31 December 2023	**1,300**	**1,031**	**2,331**
Depreciation			
As at 1 January 2022	–	(479)	(479)
Depreciation charge	–	(58)	(58)
As at 31 December 2022 and 1 January 2023	–	(537)	(537)
Depreciation charge	–	(124)	(124)
As at 31 December 2023	**–**	**(661)**	**(661)**
Net book value			
Net book value at 31 December 2023	**1,300**	**370**	**1,670**
Net book value at 31 December 2022	502	98	600

At 31 December 2023, the Group had not entered into any contractual commitments for the acquisitions of property, plant and equipment (2022: £nil).

13. Right of use assets

Group Right of use assets	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Buildings	**466**	229
Vehicles	**46**	25
	512	254
Lease liabilities		
Current	**158**	82
Non-current	**397**	172
	555	254

Group Depreciation charge of right of use assets	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Buildings	**143**	77
Vehicles	**15**	17
	158	94

The Group leases a number of offices and vehicles. Rental contracts are typically made for fixed periods of three to five years but may have extension options.

Notes to the financial statements continued

for the year ended 31 December 2023

13. Right of use assets continued

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.

14. Investment properties

Investment properties at 31 December 2023 and 31 December 2022 have been measured at fair value. The Group holds five categories of investment property, being Agricultural Land, Natural Resources, the Investment Portfolio, Major Developments and Strategic Land in the UK, which sit within the operating segments of Income Generation and Capital Growth.

	Income Generation			Capital Growth		
	Agricultural Land £'000	**Natural Resources £'000**	**Investment Portfolio £'000**	**Major Developments £'000**	**Strategic Land £'000**	**Total £'000**
At 1 January 2022	5,412	30,551	259,726	45,483	137,183	478,355
Direct acquisitions	–	–	–	–	11,863	11,863
Subsequent expenditure	–	12	2,822	40,928	9,344	53,106
Disposals	–	(860)	–	–	–	(860)
Increase/(decrease) in fair value	282	(163)	(37,802)	(5,357)	23,315	(19,725)
Transfers between divisions			42,250	(42,250)	–	–
Transfers from/(to) development properties	–	–	–	5,440	(60,513)	(55,073)
Transfer to AHFS	–	(9,814)	(56,589)	–	(900)	(67,303)
At 31 December 2022	**5,694**	**19,726**	**210,407**	**44,244**	**120,292**	**400,363**
Direct acquisitions	655	–	–	–	15,829	16,484
Subsequent expenditure	45	1,350	677	22,104	11,558	35,734
Disposals	–	–	(11,136)	(788)	(7,041)	(18,965)
Increase in fair value	116	89	5,583	3,196	62,388	71,372
Transfers between divisions	–	–	18,551	(10,416)	(8,135)	–
Transfers to development properties	–	–	–	–	(51,865)	(51,865)
Transfers to property, plant and equipment	–	–	(967)	–	–	(967)
Transfer to AHFS	–	(1,264)	(14,800)	–	(2,150)	(18,214)
At 31 December 2023	**6,510**	**19,901**	**208,315**	**58,340**	**140,876**	**433,942**

Subsequent expenditure is recorded net of government grant receipts of £1.6m (2022: £0.9m).

Included within investment properties (agricultural land) is a provision of £0.2m (2022: £0.2m) relating to the restoration liability on sites formerly rented to mining tenants. This provision is treated as a reduction of the individual property valuations.

14. Investment properties continued

During the year no development property was re-categorised as investment property to reflect a change in use (2022: £5.4m). During the year £51.9m of investment property was re-categorised to development properties (2022: £60.5m). During the year £1.0m of investment property was re-categorised as land and buildings (2022: £nil). Properties that have obtained planning permission and where development with a view to sale has commenced are held as development properties in inventories. Until sites receive planning permission and their future use has been determined, Harworth's 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.

The fair value disclosures for investment properties are presented on a combined basis along with those properties in AHFS as summarised in the following table:

	Income Generation			Capital Growth		
	Agricultural Land £'000	**Natural Resources £'000**	**Investment Portfolio £'000**	**Major Developments £'000**	**Strategic Land £'000**	**Total £'000**
Investment properties	6,510	19,901	208,315	58,340	140,876	433,942
Properties included within AHFS (note 18)	–	1,738	13,250	–	3,764	18,752
Total properties (excluding development properties)	**6,510**	**21,639**	**221,565**	**58,340**	**144,640**	**452,694**

	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Market value as estimated by the external valuer	**461,288**	470,150
Capital incentives and rent-free periods included within other receivables	**(5,149)**	(5,853)
Contingent interest in adjoining land included within external valuations	**(4,118)**	(3,848)
Other adjustments	**673**	(296)
Fair value for financial purposes	**452,694**	460,153

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.

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for the year ended 31 December 2023

14. Investment properties continued

The different valuation levels are defined as:

Level 1: valuation based on quoted market prices traded in active markets.

Level 2: valuation based on inputs other than quoted prices included within Level 1 that maximise the use of observable data either directly or from market prices or indirectly derived from market prices.

Level 3: where one or more inputs to valuation are not based on observable market data.

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

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the date of the event or change in circumstance that caused the transfer. There were no transfers between hierarchy levels in the year ended 31 December 2023 (2022: 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, it is valued on a yield basis, based upon sales of similar types of investment.

Natural resources

Natural resource sites in the portfolio are valued based on a discounted cash flow for the operating life of the asset with regard to the residual land value.

Investment Portfolio

The industrial & logistics investment properties are valued on the basis of market comparison with direct reference to observable market evidence including current rent and estimated rental value (ERV), yields and capital values and adjusted where required for the estimated cost to bring the property to its highest and best use. The evidence is adjusted to reflect the quality of the property assets, the quality of the covenant profile of the tenants and the reliability/volatility of cash flows. The Group's portfolio has a spread of yields. New income acquisitions are generally acquired at high yields where value can be added. Subject to market backdrop, properties that are newly built by Harworth typically have lower yields. As assets are enhanced and improved, these would also be expected to be valued at lower yields.

ERV and reversionary rental yields are considered to be significant unobservable inputs. Details of the aggregate ERV and weighted average reversionary rental yields used for the Investment Portfolio properties are provided in the following table:

	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Market value (£'000)	**226,650**	272,850
Aggregate ERV (£'000)	**16,187**	20,388
Equivalent rental yield %	**7.2**	7.8

All other factors being equal, a higher equivalent yield would lead to a decrease in the valuation of an asset and an increase in the current or estimated future rental stream, or market demand for the asset, would have the effect of increasing the capital value, and vice versa. However, there are inter-relationships between the significant unobservable inputs which are partially determined by market conditions, which would impact on these changes.

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 Investment Portfolio assets at 31 December 2023:

	2023		2022	
	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%	**11,427**	**(11,427)**	13,568	(13,568)
Change in portfolio net initial yield by 50 basis points	**(24,109)**	**28,653**	(24,934)	25,980

The property rental income earned by the Group from its occupied investment property, all of which is leased out under operating leases amounted to £17.5m (2022: £19.9m). Direct operating expenses arising on investment property generating rental income in the year amounted to £5.4m (2022: £6.4m).

The RCF 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 2023				As at 31 December 2022			
	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	**57,554**	**£131-£147**	**£69-£75**	**15%**	43,941	£125-£138	£67-£93	15%

All other factors being equal, a higher land value reflecting future expectations on sales would lead to an increase in the valuation of an asset, an increase in costs would lead to a decrease in the valuation of an asset. However, there are inter-relationships between the significant unobservable inputs which are partially determined by market conditions, which would impact on these changes.

The table below sets out a sensitivity analysis for the key sources of estimation uncertainty with the resulting increase/(decrease) in the fair value of Major Development investment properties at 31 December 2023:

	2023		2022	
	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%	**8,649**	**(8,745)**	7,999	(6,439)
Change in build cost of 5%	**(6,224)**	**6,036**	(4,266)	5,826

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for the year ended 31 December 2023

14. Investment properties continued

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 2023			As at 31 December 2022		
	Agricultural Land £'000	**Natural Resources £'000**	**Strategic Land £'000**	Agricultural Land £'000	Natural Resources £'000	Strategic Land £'000
Market value	**6,653**	**21,639**	**148,792**	5,845	20,706	126,808
Weighted Average Land value per acre	**3**	**19**	**75**	3	21	68

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 2023:

	2023		2022	
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	**333**	**(333)**	292	(292)
Natural Resources	**1,082**	**(1,082)**	1,035	(1,035)
Strategic Land	**7,440**	**(7,440)**	6,340	(6,340)

15. Investments

Investment in subsidiaries (Company balance sheet)

	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Cost and net book amount:		
At 1 January	**209,864**	209,300
Grant of equity instruments to employees of subsidiaries	**980**	564
At 31 December	**210,844**	209,864

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.

15. Investments continued

The Company held investments in the following subsidiaries as at 31 December 2023:

Company name	Activity	Description of shares held	Proportion of nominal value of issued share capital held by the Company %	Held directly or indirectly by the Company
Harworth Estates Property Group Limited	Trading	Ordinary	100	Direct
Cadley Park Management Company Limited	Trading	Ordinary	100	Indirect
Cutacre Country Park Management Company Limited	Trading	Ordinary	100	Indirect
EOS Inc Limited	Trading	Ordinary	100	Indirect
Harworth Estates (Agricultural Land) Limited	Trading	Ordinary	100	Indirect
Harworth Estates (Waverley Prince) Limited	Trading	Ordinary	100	Indirect
Harworth Estates Curtilage Limited	Trading	Ordinary	100	Indirect
Harworth Estates Investments Limited	Trading	Ordinary	100	Indirect
Harworth Estates Limited	Trading	Ordinary	100	Indirect
Harworth Estates Mines Property Limited	Trading	Ordinary	100	Indirect
Harworth Estates Overage Limited	Trading	Ordinary	100	Indirect
Harworth Estates Residential Development Limited	Trading	Ordinary	100	Indirect
Harworth Estates Warwickshire Limited	Trading	Ordinary	100	Indirect
Harworth Surface Water Management (Bardon) Limited	Trading	Ordinary	100	Indirect
Harworth Surface Water Management (North West) Limited	Trading	Ordinary	100	Indirect
Harworth TRR Limited	Trading	Ordinary	100	Indirect
Logistics North MC Limited	Trading	Ordinary	10.86	Indirect
Thoresby Vale Management Company Limited	Trading	Ordinary	100	Indirect
Harworth Estates Northumberland Woodland Limited	Trading	Ordinary	100	Indirect
Coze Homes Limited	Trading	Ordinary	100	Indirect
Olive Lane 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
Grimsby West 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	Non-trading	Ordinary	100	Indirect
Harworth No 1 Limited	Dormant	Ordinary	100	Indirect
Benthall Grange (Ironbridge) Management Company Limited	Dormant	Limited by guarantee	100	Indirect
Moss Nook (St Helens) Management Company Limited	Dormant	Limited by guarantee	100	Indirect

All of the above companies are incorporated in England and Wales and have a registered address of Advantage House, Poplar Way, Rotherham, South Yorkshire, S60 5TR. Control of Logistics North MC Limited is via ownership of voting rights equal to 75% or more and the right to appoint and remove directors.

Notes to the financial statements continued

for the year ended 31 December 2023

15. Investments continued

The following entities were incorporated during the year:

- Harworth Estates Northumberland Woodland Limited on 10 January 2023
- Coze Homes Limited on 11 August 2023
- Olive Lane Management Company Limited on 26 October 2023
- Grimsby West LLP on 6 December 2023

The following entities were dissolved in January 2023:

- Coalfield Estates Limited
- Harworth Guarantee Co. Limited
- Harworth Estates Group Limited
- Harworth No.3 Limited

Investment in joint ventures

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
At 1 January	**29,828**	36,131
Investments in joint ventures	**250**	1,849
Distributions from joint ventures	**(910)**	(665)
Share of profits/(losses) of joint ventures	**1,554**	(7,487)
At 31 December	**30,722**	29,828

The Group holds investments in the following joint ventures as at 31 December 2023:

Company name	**Activity**	**Description of shares held**	**Proportion of nominal value of issued share capital held by the Group %**
Multiply Logistics North Holdings Limited	Trading	Ordinary	20
Multiply Logistics North LP	Trading	Partnership	20
Crimea Land Mansfield LLP	Trading	Partnership	50
Northern Gateway Development Vehicle LLP	Trading	Partnership	50
The Aire Valley Land LLP	Trading	Partnership	50

All of the above companies are incorporated in England and Wales and, have a registered address of Advantage House, Poplar Way, Rotherham, South Yorkshire, S60 5TR. Multiply Logistics North Holdings Limited and Multiply Logistics North LP are joint ventures as a consequence of equal voting rights.

15. Investments continued

Aggregate information of the Group's share of assets, liabilities and results of joint ventures, that are individually material is:

	The Aire Valley Land LLP	
	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Investment property	**26,000**	26,350
Current assets	**2,339**	306
Total assets	**28,339**	26,656
Current liabilities	**(38)**	(180)
Equity	**28,301**	26,476
Group's share in equity (50%)	**14,151**	13,238
Group's carrying amount of the investment	**14,151**	13,238

Included within current assets are cash and cash equivalents of £2.3m (2022: £0.2m)

	Multiply Logistics North LP	
	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Investment property	**63,245**	62,840
Current assets	**3,356**	5,495
Total assets	**66,601**	68,335
Current liabilities	**(1,011)**	(1,505)
Equity	**65,590**	66,830
Group's share in equity (20%)	**13,118**	13,366
Group's carrying amount of the investment	**13,118**	13,366

Included within current assets are cash and cash equivalents of £0.7m (2022: £2.0m). Included within current liabilities are accruals and deferred income of £0.9m (2022: £0.9m) and other taxes payable of £0.4m (2022: £0.5m)

	The Aire Valley Land LLP	
	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Revenue	**–**	60
Current assets	**(11)**	(7)
Gross (loss)/profit	**(11)**	53
Administrative expenses	**(9)**	(11)
Other gains/(losses)	**1,845**	(8,650)
Profit/(loss) for the year	**1,825**	(8,608)
Group's share of profit/(loss) for the year (50%)	**913**	(4,304)

Notes to the financial statements continued

for the year ended 31 December 2023

15. Investments continued

	Multiply Logistics North LP	
	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Revenue	**3,600**	3,880
Current assets	**(590)**	(125)
Gross profit	**3,010**	3,755
Administrative expenses	**(100)**	(160)
Other gains/(losses)	**400**	(19,450)
Profit/(loss) for the year	**3,310**	(15,855)
Group's share of profit/(loss) for the year (20%)	**662**	(3,171)

Aggregate information of the Group's share of assets, liabilities and results of joint ventures, that are not individually material is:

	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Current assets	**7,701**	7,088
Total assets	**7,701**	7,088
Current liabilities	**(795)**	(640)
Equity	**6,906**	6,448
Group share in equity (50%)	**3,453**	3,224
Group's carrying amount of the investment	**3,453**	3,224
Loss for the year	**(41)**	(23)
Group's share of losses for the year (50%)	**(21)**	(12)

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 2023 £'000	As at 31 December 2022 £'000
Development properties	**250,024**	204,952
Planning promotion agreements	**3,805**	2,994
Options	**9,244**	8,447
	263,073	216,393

The total cost of inventory recognised as an expense within cost of sales in the year is £52.7m (2022: £68.4m) and comprising: £47.3m (2022: £67.7m) relating to the sale of development properties; a net realisable value charge of £4.3m (2022: £0.4m) against development properties; a charge of £1.1m (2022: £0.1m) in relation to planning promotion agreements; and a charge of £nil (2022: £0.2m) relating to finished goods stocks.

16. Inventories continued

The movement in development properties was as follows:

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
At 1 January	**204,952**	172,701
Subsequent expenditure	**32,417**	35,430
Disposals	**(34,850)**	(57,857)
Net realisable value charge	**(4,360)**	(395)
Transfers from investment properties	**51,865**	55,073
At 31 December	**250,024**	204,952

Subsequent expenditure is recorded net of government grant receipts of £1.2m (2022: £2.7m).

The movement in net realisable value provision was as follows:

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
At 1 January	**9,776**	12,154
Charge for the year	**7,442**	7,074
Released on disposals	**(1,213)**	(5,030)
Reversal of previous net realisable value provision	**(1,869)**	(1,649)
Released on transfer to investment property	**–**	(2,773)
At 31 December	**14,136**	9,776

The reversal of previous net realisable value provision occurs where development properties have an increase in net realisable value which offsets a previous net realisable value charge.

17. Trade and other receivables

	Group		Company	
Current	**As at 31 December 2023 £'000**	As at 31 December 2022 £'000	**As at 31 December 2023 £'000**	As at 31 December 2022 £'000
Trade receivables	**16,933**	31,566	**–**	–
Less: provision for impairment of trade receivables	**(9)**	(28)	**–**	–
Net trade receivables	**16,924**	31,538	**–**	–
Other receivables	**17,019**	22,379	**111**	144
Prepayments	**1,965**	1,062	**55**	43
Accrued income	**1,381**	1,679	**–**	–
Amounts owed by subsidiary undertakings (note 30)	**–**	–	**136**	110
	37,289	56,658	**302**	297
Non–current				
Trade receivables	**10,336**	3,119	**–**	–
Other receivables	**960**	894	**–**	–
Amounts owed by subsidiary undertakings (note 30)	**–**	–	**23,337**	28,647
	11,296	4,013	**23,337**	28,647

Notes to the financial statements continued

for the year ended 31 December 2023

17. Trade and other receivables continued

The carrying amount of trade and other receivables approximates to their fair value due to the short time frame over which the assets are realised. All of the Group and Company receivables are denominated in sterling.

Included within trade receivables is £15.7m (2022: £31.4m) of deferred consideration on the sale of investment and development property.

The non-current trade receivable of £12.3m (2022: £3.1m) relates to deferred consideration on the sale of development properties due in more than one year.

The cash movement in respect of deferred consideration as reflected in the Consolidated Statement of Cash Flows is a net deduction to proceeds from sale of investment properties of £6.7m (2022: net increase £1.0m).

Other receivables include debtors from agent managed properties of £3.7m (2022: £7.3m), right of return assets of £2.3m (2022: £nil) and rent-free and capital incentives of £5.2m (2022: £5.9m).

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables as disclosed in note 22. A charge is retained on deferred consideration related to land sales. No other security or collateral is held by the Group or the Company.

The amounts owed to the Company by subsidiary undertakings are repayable on demand. Interest is payable at SONIA + 2% (2022: SONIA + 2%).

Group

Movements on the Group provisions for impairment of trade receivables are as follows:

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
At the beginning of the year	**(28)**	(27)
Released/(provided for) in the year	**19**	(1)
At the end of the year	**(9)**	(28)

Trade receivables can be analysed as follows:

	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Amounts receivable not past due	**16,828**	31,489
Amounts receivable past due but not impaired	**96**	49
Amounts receivable impaired (gross)	**9**	28
Less impairment	**(9)**	(28)
	16,924	31,538

Ageing of past due but not impaired trade receivables:

	As at 31 December 2023 £'000	As at 31 December 2022 £'000
31- 60 days	**1**	3
61- 90 days	**–**	–
91- 120 days	**95**	46
	96	49

17. Trade and other receivables continued

Ageing of impaired trade receivables:

	As at 31 December 2023 £'000	As at 31 December 2022 £'000
91- 120 days	**9**	28
120+ days	**–**	–
	9	28

18. Assets Held For Sale

AHFS relate to investment properties identified as being for sale within 12 months, where a sale is considered highly probable and the property is immediately available for sale.

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
At 1 January	**59,790**	1,925
Transferred from investment properties	**18,214**	67,303
Subsequent expenditure	**74**	1
Decrease in fair value	**(272)**	(199)
Disposals	**(59,054)**	(9,240)
At 31 December	**18,752**	59,790

19. Cash

	Group		**Company**	
	As at 31 December 2023 £'000	As at 31 December 2022 £'000	**As at 31 December 2023 £'000**	As at 31 December 2022 £'000
Cash	**27,182**	11,583	**90**	1,433

20. Borrowings

	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Current:		
Secured – infrastructure and direct development loans	**(29,744)**	(3,067)
	(29,744)	(3,067)
Non-current:		
Secured – bank loan	**(33,830)**	(34,558)
Secured – infrastructure and direct development loans	**–**	(22,353)
	(33,830)	(56,911)
Total borrowings	**(63,574)**	(59,978)

Loans are stated after deduction of unamortised borrowing costs of £1.5m (2022: £2.0m).

Notes to the financial statements continued

for the year ended 31 December 2023

20. Borrowings continued

		As at 31 December 2023 £'000	As at 31 December 2022 £'000
Infrastructure and direct development loans			
South Yorkshire Pension Fund/ Scrudf Limited Partnership	Rotherham AMP	**(584)**	–
Scrudf Limited Partnership	Gateway 36	**(6,850)**	(1,413)
Merseyside Pension Fund	Bardon Hill	**(22,310)**	(20,940)
North West Evergreen Limited Partnership	Logistics North	**–**	(3,067)
Total infrastructure and direct development loans		**(29,744)**	(25,420)
Bank loan		**(33,830)**	(34,558)
Total borrowings		**(63,574)**	(59,978)

The bank borrowings are part of a £200m (2022: £200m) revolving credit facility ('RCF') with a £40m uncommitted accordion option, provided by NatWest, Santander and HSBC. The RCF is repayable on 4 March 2027 at the end of the five-year term.

The RCF is subject to financial and other covenants. The bank borrowings are secured by way of a floating debenture over assets not otherwise used as security under specific infrastructure loans. Proceeds from and repayments of bank loans are reflected gross in the Consolidated Statement of Cash Flows and reflect timing of utilisation of the RCF.

The infrastructure and direct development loans are provided by public and private bodies in order to promote the development of major sites or assist with vertical direct development. The loans are drawn as work on the respective sites is progressed and they are repaid on agreed dates or when disposals are made from the sites.

21. Trade and other payables

	Group		Company	
Current	**As at 31 December 2023 £'000**	As at 31 December 2022 £'000	**As at 31 December 2023 £'000**	As at 31 December 2022 £'000
Trade payables	**759**	2,361	**7**	28
Amounts owed to subsidiary undertakings (note 30)	**–**	–	**38,544**	34,481
Taxation and social security	**6,178**	513	**105**	98
Other creditors	**5,142**	6,611	**224**	187
Accruals	**71,814**	65,338	**2,598**	1,553
Deferred income	**4,194**	7,676	**–**	–
	88,087	82,499	**41,478**	36,347

The amounts owed by the Company to subsidiary undertakings are repayable on demand. Interest is payable at SONIA + 2% (2022: SONIA + 2%).

	Group		Company	
	As at 31 December 2023 £'000	As at 31 December 2022 £'000	**As at 31 December 2023 £'000**	As at 31 December 2022 £'000
Amounts in accruals relating to parcels of land that have been sold but where infrastructure costs are yet to be incurred	**54,163**	48,595	**–**	–
Amounts in accruals relating to deferred payments for investment property acquisitions	**–**	2,561	**–**	–

Deferred income includes £3.1m (2022: £4.1m) in relation to rental income.

21. Trade and other payables continued

Non-current liabilities

	Group		Company	
	As at 31 December 2023 £'000	As at 31 December 2022 £'000	**As at 31 December 2023 £'000**	As at 31 December 2022 £'000
Other creditors	**947**	1,925	**–**	–
Deferred income	**810**	894	**–**	–
	1,757	2,819	**–**	–

22. Financial Instruments and derivatives

Until March 2022, the Group was party to a £45m fixed rate interest swap at an all-in cost of 1.184% (including fees) on top of the existing 2.35% margin under the previous RCF. The interest rate swap was ended when the Group entered into the new RCF in 2022.

The fair value of the interest rate swap at 31 December 2023 was £nil (2022: a liability of £nil).

The following gain was recognised in the other comprehensive income statement in relation to the interest rate swap:

	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Gain on interest rate swap – cash flow hedge	**–**	156

The Group's principal financial instruments include trade and other receivables, cash, interest bearing borrowings and trade and other payables.

Other financial assets and liabilities

	As at 31 December 2023		As at 31 December 2022	
Group	**Book value £'000**	**Fair value £'000**	Book value £'000	Fair value £'000
Financial assets held at amortised cost				
Cash	**27,182**	**27,182**	11,583	11,583
Trade and other receivables	**45,239**	**45,239**	57,930	57,930
Financial liabilities held at amortised cost				
Bank and other borrowings	**63,574**	**63,574**	59,978	59,978
Trade and other payables	**78,662**	**78,662**	76,235	76,235

	As at 31 December 2023		As at 31 December 2022	
Company	**Book value £'000**	**Fair value £'000**	Book value £'000	Fair value £'000
Financial assets held at amortised cost				
Cash	**90**	**90**	1,433	1,433
Trade and other receivables	**23,584**	**23,584**	28,901	28,901
Financial liabilities held at amortised cost				
Trade and other payables	**41,373**	**41,373**	36,249	36,249

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.

Notes to the financial statements continued

for the year ended 31 December 2023

22. Financial Instruments and derivatives continued

Changes in liabilities arising from financing activities

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Borrowings at start of year	**59,978**	37,781
Repayments	**(49,299)**	(152,000)
Drawdowns	**50,939**	173,850
Interest expense	**4,225**	3,292
Interest paid	**(2,778)**	(2,206)
Borrowing costs	**(162)**	(2,022)
Amortisation of capitalised borrowing costs	**671**	1,283
Borrowings at end of year	**63,574**	59,978

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Leases at start of year	**254**	94
Additions	**392**	251
Payments in respect of leases	**(91)**	(91)
Leases at end of year	**555**	254

23. Financial risk management

The Group's overall risk management programme focuses on credit and liquidity risks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out centrally under policies approved by the Board of Directors. The Board discusses and agrees courses of action to cover material risk management areas, including credit risk and investment of excess liquidity.

Credit risk

The Group is subject to credit risk arising from outstanding receivables and committed cash and cash equivalents and deposits with banks and financial institutions. The Group's policy is to manage credit exposure to trading counterparties within defined trading limits.

The Group is exposed to counterparty credit risk on cash and cash equivalent balances. The Group and Company hold all 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.

At the year end, the Group's RCF had an all in funding rate of 7.45% (2022: 5.32%). The Group also has three (2022: three) infrastructure loans with an all in funding rate of between 5.75% and 7.29% (2022: between 2.2% and 5.9%), of these one loan (2022: one) has a fixed rate of interest. Based on the amounts drawn down at 31 December 2023, if the variable interest rate changed by 50bps, the annual interest cost would increase or decrease by £0.3m.

Liquidity risk

The Group is subject to the risk that it will not have sufficient liquid resources to fund its on-going business. The Group manages its liquidity requirements with the use of operating cash flows, cash balances and drawdowns under its RCF.

The Group had net debt at 31 December 2023 of £36.4m (2022: £48.4m). The Group generated cash from operating activities and investing activities for the year of £18.3m (2022: cash used of £16.2m).

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.

	Net carrying amount of financial liabilities £'000	Total contractual cashflow £'000	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
At 31 December 2023					
Trade and other payables	**78,662**	**78,662**	**77,715**	**57**	**890**
Lease liability	**455**	**455**	**158**	**150**	**247**
Bank and other borrowings including interest payable	**63,574**	**78,571**	**35,454**	**4,128**	**38,989**
At 31 December 2022					
Trade and other payables	76,235	76,235	74,310	1,925	–
Lease liability	254	254	82	63	109
Bank and other borrowings including interest payable	59,978	59,978	3,067	22,353	34,558

Capital risk management

The Group is subject to the risk that its capital structure will not be sufficient to support the growth of the business. The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern and have the resources to provide returns for Shareholders and benefits for other stakeholders;
- to maximise returns to Shareholders by allocating capital across the business based upon the expected level of return and risk; and
- to maintain an optimal capital structure to reduce the cost of capital.

The Group manages and monitors its cash balances to ensure it has sufficient capital to manage and maintain its business activities. Cash balances are disclosed in note 19.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of net debt to equity. Net debt is total debt less cash and at 31 December 2023 this was £36.4m (2022: £48.4m).

The Group has in place a £200m (2022: £200m) RCF, with a £40m accordion (2022: £40m) as discussed in Note 20. The facility is provided by NatWest, Santander and HSBC. The RCF is repayable in March 2027 (five year term) on a non-amortising basis.

The facility is subject to financial covenants including minimum interest cover, maximum infrastructure debts as a percentage of property value and gearing. The bank borrowings are secured by fixed equitable charges over development and investment properties.

Notes to the financial statements continued

for the year ended 31 December 2023

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 £0.9m (2022: £0.8m). 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 the 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 was:

	Group		Company	
	As at 31 December 2023 £'000	As at 31 December 2022 £'000	**As at 31 December 2023 £'000**	As at 31 December 2022 £'000
Relating to continuing activities				
Blenkinsopp	**11**	114	**11**	114

Contributions to the Blenkinsopp scheme of £0.2m were made by the Group during 2023 (2022: £0.2m). It is expected that contributions of a similar amount will be paid in 2024. At 31 December 2023, no contributions remained unpaid (2022: £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 2023 £'000	As at 31 December 2022 £'000
Discount rate	**4.60% p.a.**	4.90% p.a.
Rate of pension increases	**2.50% p.a.**	2.60% p.a.
Rate of price inflation (RPI)	**3.00% p.a.**	3.15% p.a.
Rate of price inflation (CPI)	**2.50% p.a.**	2.60% p.a.
Rate of cash commutation	**25% of pension at a rate of £9:£1**	25% of pension at a rate of £9:£1

	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Life expectancy at age 65 for current pensioners (years)		
Male	**18.2**	19.2
Female	**21.6**	22.5
Life expectancy at age 65 for future pensioners currently aged 45 (years)		
Male	**19.1**	20.5
Female	**22.8**	24.2

The assumed pension increases depend on the period of service accrual (before April 1997: no increases, after 1997: in line with statutory minimum increases based on consumer price inflation).

24. Retirement benefit obligations continued

Defined benefit obligations

The amounts recognised in the Balance sheet are:

	2023 £'000	2022 £'000	2021 £'000	2020 £'000	2019 £'000
Fair value of plan assets	**2,124**	1,989	2,747	2,537	2,313
Present value of funding obligations	**(2,135)**	(2,103)	(3,305)	(3,505)	(3,084)
Net liability recognised in the Balance sheet	**(11)**	(114)	(558)	(968)	(771)

The Blenkinsopp scheme does not own any shares in the Company.

The amounts recognised in the Consolidated Income Statement are:

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Expenses	**(109)**	(50)
Interest cost	**(3)**	(9)
	(112)	(59)

A further credit of £0.0m (2022: £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	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Fair value of plan assets at the start of the year	**1,989**	2,747
Interest income	**98**	53
Actual return/(loss) on scheme assets excluding interest income	**20**	(883)
Employer contributions	**225**	208
Expenses	**(109)**	(86)
Benefits paid	**(99)**	(50)
Fair value of plan assets at the end of the year	**2,124**	1,989

Plan assets, which are all quoted investments, are comprised as follows:

Analysis of plan assets (which are all quoted investments)	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Gilts	**332**	1,284
Liability driven investments	**1,155**	–
Delegated solutions	**–**	663
Sterling liquidity fund	**442**	–
Other	**195**	42
Total	**2,124**	1,989

Notes to the financial statements continued

for the year ended 31 December 2023

24. Retirement benefit obligations continued

Change in defined benefit obligations	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Present value of defined benefit obligations at the start of the year	**(2,103)**	(3,305)
Interest cost	**(101)**	(62)
Remeasurements:		
– Gain arising from changes in demographic assumptions	**80**	16
– Loss arising from changes in experience	**(57)**	(1)
– Gain arising from changes in financial assumptions	**(53)**	1,163
Benefits paid	**99**	86
Present value of defined benefit obligation at the end of the year	**(2,135)**	(2,103)

Analysis of the movement of the Balance Sheet liability	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
At the start of the year	**(114)**	(558)
Total amounts recognised in the income statement	**(112)**	(59)
Employer contributions	**225**	208
Net actuarial (loss)/gain recognised in the year	**(10)**	295
At the end of the year	**(11)**	(114)

The duration of the defined benefit obligation is c.15 years (2022: c.16 years).

Cumulative actuarial gains and losses recognised in equity	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
At the start of the year	**(392)**	(687)
Net actuarial (loss)/gain in the year	**(10)**	295
At the end of the year	**(402)**	(392)

Experience gains and losses	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Actual return/(loss) on scheme assets excluding interest income	**20**	(883)
Remeasurements:		
– Loss arising from changes in experience	**(57)**	(1)
– (Loss)/gains arising from changes in financial assumptions	**(53)**	1,163
– Gains arising from changes in demographic assumptions	**80**	16
Net actuarial (loss)/gain	**(10)**	295

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 2021, which was agreed in March 2023. This showed an estimated past service deficit of £0.7m.

24. Retirement benefit obligations continued

The sensitivity of the defined benefit obligations to changes in the weighted principal assumptions is:

	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Change in discount rate by 0.5% (2022: 0.5%)	**(129)**	(115)
Change in price inflation (and associated assumptions) by 0.5% (2022: 0.5%)	**97**	115
Increase in life expectancy by 1 year	**79**	75

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, cash/liquidity funds and delegated solutions.
- Interest rate risk: a decrease in the corporate bond interest rate will increase the liability but this would likely be partially offset by an increase in the return on the Scheme's debt investments.
- Longevity risk: the present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of Scheme participants both during and after retirement. An increase in the life expectancy of the participants will increase the Scheme's liability.

25. Share-based payments

During the year, there were five classes of equity-settled share incentive plans outstanding:

- Deferred Share Bonus Plan (DSBP). Under this scheme share options with a nil-cost exercise price are granted to eligible employees. Vesting of the share options is subject to the achievement of a performance condition relating to Total Return and continued employment.
- Deferred Bonus Plan (DBP). 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.
- 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 125 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, DBP 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	**2023**	2022	**2023**	2022
Outstanding at beginning of the year	**943**	1,067	**£0.00**	£0.00
Granted during the year	**–**	–	**n/a**	n/a
Forfeited during the year	**–**	(124)	**n/a**	£0.00
Exercised during the year	**–**	–	**n/a**	n/a
Outstanding at end of the year	**943**	943	**£0.00**	£0.00
Exercisable at end of the year	**943**	943	**£0.00**	£0.00
Weighted average remaining contractual life	**4.3 years**	5.3 years		

	Number of shares		Weighted average exercise price	
DBP	**2023**	2022	**2023**	2022
Outstanding at beginning of the year	**–**	–	**n/a**	n/a
Granted during the year	**57,988**	–	**£0.00**	n/a
Forfeited during the year	**–**	–	**n/a**	n/a
Exercised during the year	**–**	–	**n/a**	n/a
Outstanding at end of the year	**57,988**	–	**£0.00**	n/a
Exercisable at end of the year	**–**	–	**n/a**	n/a
Weighted average remaining contractual life	**9.2 years**	n/a		

	Number of shares		Weighted average exercise price	
RSP	**2023**	2022	**2023**	2022
Outstanding at beginning of the year	**2,412,749**	1,502,883	**£0.00**	£0.00
Granted during the year	**1,396,752**	1,096,516	**£0.00**	n/a
Forfeited during the year	**(46,971)**	(186,650)	**£0.00**	£0.00
Exercised during the year	**–**	–	**n/a**	n/a
Outstanding at end of the year	**3,762,530**	2,412,749	**£0.00**	n/a
Exercisable at end of the year	**–**	–	**n/a**	n/a
Weighted average remaining contractual life	**8.1 years**	8.4 years		

	Number of shares		Weighted average exercise price	
SAYE	**2023**	2022	**2023**	2022
Outstanding at beginning of the year	**894,382**	877,530	**£0.91**	£0.82
Granted during the year	**1,034,244**	161,916	**£1.00**	£1.40
Forfeited during the year	**(192,868)**	(80,357)	**£1.26**	£0.82
Exercised during the year	**(541,688)**	(64,707)	**£0.74**	£1.04
Outstanding at end of the year	**1,194,070**	894,382	**£1.04**	£0.91
Exercisable at end of year	**21,921**	–	**£0.74**	n/a
Weighted average remaining contractual life	**2.1 years**	1.5 years		

	Number of shares		Weighted average exercise price	
SIP	**2023**	2022	**2023**	2022
Outstanding at beginning of the year	**432,769**	147,845	**£0.00**	£0.00
Granted during the year	**538,078**	286,138	**£0.00**	£0.00
Forfeited during the year	**(62,967)**	(1,214)	**£0.00**	£0.00
Released during the year	**(17,137)**	–	**£0.00**	n/a
Outstanding at end of the year	**890,743**	432,769	**£0.00**	£0.00

25. Share-based payments continued

The fair values of the share options granted under the RSP and SAYE during the year were determined using Black-Scholes valuation methodology. The fair value of shares awarded granted under the DBP and SIP schemes in the year was the share price at the date of grant.

The significant inputs to the valuation models were as follows:

	RSP	SAYE
Share price at date of grant	**£1.17**	£1.00
Exercise price	**£0.00**	£0.83
Dividend yield	**1.14%**	1.37%
Expected volatility	**35%**	37%
Risk free interest rate	**n/a**	4.43%
Expected term	**4.91 years**	3.32 years
Weighted average fair value	**£0.98**	£0.36

For the DBP and SIP schemes the fair values of the awards are equal to the share price at the date the awards are granted.

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 2020 SAYE Scheme were exercised in the year with a weighted average share price on exercise of £1.06.

The total charge for the year relating to employee share based payment plans was £1.4m (2022: £0.7m), 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 2023 £'000**	As at 31 December 2022 £'000
At 1 January	**32,305**	32,272
Shares issued	**103**	33
At 31 December	**32,408**	32,305

Issued, authorised and fully paid – number of shares

Group and Company	**Year ended 31 December 2023**	Year ended 31 December 2022
At 1 January	**323,051,124**	322,724,566
Shares issued	**1,032,948**	326,558
At 31 December	**324,084,072**	323,051,124
Own shares held	**(929,699)**	(438,439)
At 31 December	**323,154,373**	322,612,685

There is only one class of share in issue: ordinary shares of 10 pence each. All shares carry equal rights to dividends, voting and return of capital on a winding up of the Company, as set out in the Company's Articles of Association.

The own shares held represent the number of shares held by the Employee Benefit Trust and Equiniti Share Plan Trustees Limited to satisfy Deferred Share Bonus Plan, Restricted Share Plan and Share Incentive plan awards for Executive Directors, Senior Executives and employees. For this purpose both Employee Benefit Trust and Equiniti Share Plan Trustees Limited are treated as an extension of the Company.

Notes to the financial statements continued

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27. Share premium account

Group and Company	**Year ended 31 December 2023 £'000**	Year ended 31 December 2022 £'000
At 1 January	**24,688**	24,627
Premium on shares issued	**346**	61
At 31 December	**25,034**	24,688

28. Commitments

At 31 December 2023 the Group had contractual commitments due under construction contracts of £21.2m (2022: £0.6m). Capital commitments for the acquisition of property, plant and equipment are disclosed in note 12. Future expenditure required to bring investment and development properties to their highest and best use are not considered to be capital commitments, however such build costs for our investment properties are disclosed as a significant unobservable input in the valuation of Major Development properties as set out in note 14.

29. Operating leases

Future minimum lease receipts

At 31 December 2023 the Group had contracted with tenants for the following future minimum lease payments:

	Group	
	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Less than one year	**15,527**	17,733
Between one and two years	**13,506**	17,426
Between two and three years	**12,206**	15,057
Between three and four years	**11,850**	14,059
Between four and five years	**9,615**	12,861
More than five years	**108,973**	124,992
	171,677	202,128

As set out in note 14 property rental income earned during the year was £17.3m (2022: £19.9m)

30. Related party transactions

Group

The Group carried out the following transactions with related parties during 2023. 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.

	Year ended/ as at 31 December 2023 £000	Year ended/ as at 31 December 2022 £000
MULTIPLY LOGISTICS NORTH HOLDINGS LIMITED & MULTIPLY LOGISTICS NORTH LP		
Sales		
Recharges of costs	**281**	–
Asset management fee	**100**	145
Water charges	**146**	113
Purchases		
Recharge of costs	**1**	–
Receivables		
Other receivables	**5**	–
Trade receivables	**281**	–
GENUIT GROUP (FORMERLY POLYPIPE)		
Sales		
Rent	**10**	20
Development property disposal	**1,680**	–
Receivables		
Trade receivables	**–**	6
THE AIRE VALLEY LAND LLP		
Receivables	**26**	26
CRIMEA LAND MANSFIELD LLP		
Receivables	**9**	9
NORTHERN GATEWAY DEVELOPMENT VEHICLE LLP		
Partner loan made during the year	**–**	1,849
Investment made during the year	**250**	–
INVESTMENT PROPERTY FORUM		
Purchases	**5**	1

Notes to the financial statements continued

for the year ended 31 December 2023

30. Related party transactions continued

Company

The Company carried out the following transactions with subsidiary undertakings.

Details of the Company's intercompany balances and interest at 31 December 2023 are set out below:

	Year ended/as at 31 December 2023		Year ended/as at 31 December 2022	
	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	**1,039**	**15,232**	657	19,891
Harworth Estates Limited	**(495)**	**(9,020)**	(219)	(7,967)
Harworth Estates (Agricultural Land) Limited	**(122)**	**(1,953)**	(62)	(1,841)
Harworth Estates Investments Limited	**(919)**	**(15,716)**	(366)	(13,802)
Harworth Guarantee Co. Limited	**–**	**–**	–	–
Harworth Estates Overages Limited	**–**	**3**	–	1
Harworth Estates Mines Property Limited	**391**	**5,661**	213	6,464
Harworth Estates Curtilage Limited	**151**	**2,444**	75	2,290
Harworth Estates Waverley Prince Limited	**(22)**	**(351)**	(9)	(336)
Harworth Estates Property Group Limited	**(646)**	**(10,680)**	(290)	(9,749)
Harworth Surface Water Management (North West) Limited	**(35)**	**(562)**	(17)	(529)
Coalfield Estates Limited	**–**	**–**	–	–
Harworth Estates Warwickshire Limited	**–**	**3**	–	1
Harworth TRR Ltd	**(17)**	**(256)**	(2)	(249)
Logistics North MC Limited	**–**	**3**	–	1
POW Management Company Limited	**–**	**(2)**	–	(2)
Rossington Community Management Company Limited	**–**	**–**	–	(1)
Flass Lane Management Company Limited	**–**	**(1)**	–	(1)
Mapplewell Management Company Limited	**–**	**–**	–	(1)
Cadley Park Management Company Limited	**–**	**(2)**	–	(2)
Simpson Park Management Company Limited	**–**	**(1)**	–	(1)
Ansty Development Vehicle LLP	**7**	**121**	3	107
Harworth Surface Water Management (Bardon) Limited	**–**	**3**	–	2
Harworth Estates Residential Development Limited	**–**	**3**	–	–
	(668)	**(15,071)**	(17)	(5,724)

Dividends received

During the year the Company received dividends of £nil (2022: £nil) from subsidiary undertakings.

31. Post balance sheet events

In January 2024 the Group disposed of the investment portfolio asset Flaxby Moor Industrial Estate, Knaresborough for proceeds of £13.3m. This property was included within assets held for sale at the year end.

Appendix

EPRA Net Asset Measures

EPRA introduced a new set of Net Asset Value metrics in 2020: EPRA Net Reinstatement Value ('NRV'), EPRA Net Tangible Assets ('NTA') and EPRA NDV. While the Group uses only EPRA NDV as a key APM, the EPRA Best Practices Recommendations guidelines require companies to report all three EPRA NAV metrics and reconcile them to IFRS. These disclosures are provided below.

			31 December 2023
	EPRA NDV £'000	**EPRA NTA £'000**	**EPRA NRV £'000**
Net assets	**637,722**	**637,722**	**637,722**
Cumulative unrealised gains on development properties	**24,083**	**24,083**	**24,083**
Cumulative unrealised gains on overages	**9,400**	**9,400**	**9,400**
Deferred tax liabilities (IFRS)	**–**	**30,089**	**30,089**
Notional deferred tax on unrealised gains	**(8,342)**	**–**	**–**
Deferred tax liabilities @ 50%	**–**	**(19,216)**	**–**
Purchaser costs	**–**	**–**	**52,528**
	662,863	**682,078**	**753,822**
Number of shares used for per share calculations	**323,154,373**	**323,154,373**	**323,154,373**
Per share (pence)	**205.1**	**211.1**	**233.3**

			31 December 2022
	EPRA NDV £'000	**EPRA NTA £'000**	**EPRA NRV £'000**
Net assets	602,664	602,664	602,664
Cumulative unrealised gains on development properties	33,852	33,852	33,852
Cumulative unrealised gains on overages	7,500	7,500	7,500
Deferred tax liabilities (IFRS)	–	24,141	24,141
Notional deferred tax on unrealised gains	(10,171)	–	–
Deferred tax liabilities @ 50%	–	(17,156)	–
Purchaser costs	–	–	46,307
	633,845	651,001	714,464
Number of shares used for per share calculations	322,612,685	322,612,685	322,612,685
Per share (pence)	196.5	201.8	221.5

Appendix continued

1) Reconciliation to statutory measures

a. Revaluation gains/(losses)	Note	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Increase/(decrease) in fair value of investment properties	3	71,372	(19,725)
Decrease in fair value of AHFS	3	(272)	(199)
Share of profit/(loss) of joint ventures	3	1,554	(7,487)
Net realisable value provision on development properties	3	(7,442)	(7,074)
Reversal of previous net realisable value provision on development properties	3	1,213	5,030
Amounts derived from statutory reporting		66,425	(29,455)
Unrealised (losses)/gains on development properties		(3,708)	10,493
Unrealised gains on overages		2,209	4,003
Revaluation gains/(losses)		64,926	(14,959)

b. (Loss)/profit on sale	Note	2023 £'000	2022 £'000
(Loss)/profit on sale of investment properties	3	(953)	923
(Loss)/profit on sale of AHFS	3	(1,140)	2,071
(Loss)/profit on sale of development properties	3	(618)	57,252
Release of net realisable value provision on disposal of development properties	3	1,869	1,649
Profit on sale of overages	3	419	169
Amounts derived from statutory reporting		(423)	62,064
Less previously unrealised gains on development properties released on sale		(6,061)	(49,093)
Less previously unrealised gains overages released on sale		(309)	–
(Loss)/profit on sale		(6,793)	12,971

c. Value gains/(losses)	Note	2023 £'000	2022 £'000
Revaluation gains/(losses)		64,926	(14,959)
(Loss)/profit on sale		(6,793)	12,971
Value gains/(losses)		58,133	(1,988)

d. Total property sales	Note	2023 £'000	2022 £'000
Revenue		72,427	166,685
Less revenue from other property activities	3	(2,286)	(10,478)
Less revenue from income generation activities	3	(23,410)	(31,251)
Add proceeds from sales of investment properties, AHFS and overages		79,166	13,550
Total property sales		125,897	138,506

e. Operating profit contributing to growth in EPRA NDV	Note	2023 £'000	2022 £'000
Operating profit		54,229	44,486
Share of profit/(loss) of joint ventures	15	1,554	(7,487)
Unrealised (losses)/gains on development properties		(3,708)	10,493
Unrealised gains on overages		2,209	4,003
Less previously unrealised gains on development properties released on sale		(6,061)	(49,093)
Less previously unrealised gains on overages released on sale		(309)	–
Operating profit contributing to growth in EPRA NDV		47,914	2,402

1) Reconciliation to statutory measures continued

f. Portfolio value	Note	**As at 31 December 2023 £'000**	As at 31 December 2022 £'000
Land and buildings (included within property, plant and equipment)		**1,300**	500
Investment properties	14	**433,942**	400,363
Investments in joint ventures	15	**30,722**	29,828
AHFS	18	**18,752**	59,790
Development properties (included within inventories)	16	**250,024**	204,952
Amounts derived from statutory reporting		**734,740**	695,433
Cumulative unrealised gains on development properties as at year end		**24,083**	33,852
Cumulative unrealised gains on overages as at year end		**9,400**	7,500
Portfolio value		**768,223**	736,785

g. Net debt			
Gross borrowings	20	**(63,574)**	(59,978)
Cash		**27,182**	11,583
Net debt		**(36,392)**	(48,395)

h. Net loan to portfolio value (%)			
Net debt		**(36,392)**	(48,395)
Portfolio value		**768,223**	736,785
Net loan to portfolio value (%)		**4.7%**	6.6%

i. Net loan to core income generation portfolio value (%)			
Net debt		**(36,392)**	(48,395)
Core income generation portfolio value (investment portfolio and natural resources)	14	**228,216**	230,133
Net loan to core income generation portfolio value (%)		**15.9%**	21.0%

j. Gross loan to portfolio value (%)			
Gross borrowings	20	**(63,574)**	(59,978)
Portfolio value		**768,223**	736,785
Gross loan to portfolio value (%)		**8.3%**	8.1%

k. Gross loan to core income generation portfolio value (%)			
Gross borrowings	20	**(63,574)**	(59,978)
Core income generation portfolio value (investment portfolio and natural resources)	14	**228,216**	230,133
Gross loan to core income generation portfolio value (%)		**27.9%**	26.1%

Appendix continued

1) Reconciliation to statutory measures continued

l. Number of shares used for per share calculations			
Number of shares in issue	26	**324,084,072**	323,051,124
Less Employee Benefit Trust and Equiniti Share Plan Trustees Limited held shares (own shares)	26	**(929,699)**	(438,439)
Number of shares used for per share calculations	26	**323,154,373**	322,612,685

m. Net Asset Value (NAV) per share			
NAV £'000		**637,722**	602,664
Number of shares used for per share calculations	26	**323,154,373**	322,612,685
NAV per share (p)		**197.3**	186.8

2) Reconciliation to EPRA measures

a. EPRA NDV	Note	**As at 31 December 2023 £'000**	As at 31 December 2022 £'000
Net assets		**637,722**	602,664
Cumulative unrealised gains on development properties		**24,083**	33,852
Cumulative unrealised gains on overages		**9,400**	7,500
Notional deferred tax on unrealised gains		**(8,342)**	(10,171)
EPRA NDV		**662,863**	633,845

Harworth calculates EPRA NDV per share and total asset return on an undiluted basis.

b. EPRA NDV per share (p)			
EPRA NDV £'000		**662,863**	633,845
Number of shares used for per share calculations	26	**323,154,373**	322,612,685
EPRA NDV per share (p)		**205.1**	196.5

EPRA NDV growth and total return		
Opening EPRA NDV/share (p)	**196.5**	197.6
Closing EPRA NDV/share (p)	**205.1**	196.5
Movement in the year (p)	**8.6**	(1.1)
EPRA NDV growth	**4.4%**	(0.6%)
Dividends paid per share (p)	**1.4**	1.2
Total return per share (p)	**10.0**	0.1
Total return as a percentage of opening EPRA NDV per share	**5.1%**	0.1%

2) Reconciliation to EPRA measures continued

To help retain and incentivise a management team with the requisite skills, knowledge and experience to deliver strong, long-term, sustainable growth for shareholders Harworth runs a number of share schemes for employees. The dilutive impact of these on the number of shares at 31 December is set out below:

Number of shares used for per share calculation	**323,154,373**	322,612,685
Outstanding share options and shares held in trust under employee share schemes	**5,223,777**	3,193,351
Number of diluted shares used for per share calculations	**328,378,150**	325,806,036

Diluted EPRA NDV per share, Diluted NDV Growth and Total Return as a percentage of opening diluted EPRA NDV per share are set out below:

c. Diluted EPRA NDV per share (p)

EPRA NDV £'000	**662,863**	633,845
Number of diluted shares used for per share calculations	**328,378,150**	325,806,036
Diluted EPRA NDV per share (p)	**201.9**	194.5

Diluted EPRA NDV growth and total return

Opening diluted EPRA NDV/share (p)	**194.5**	196.2
Closing diluted EPRA NDV/share (p)	**201.9**	194.5
Movement in the year (p)	**7.4**	(1.7)
Diluted EPRA NDV growth	**3.8%**	(0.9%)
Dividends paid per share (p)	**1.4**	1.2
Total diluted return per share (p)	**8.8**	(0.5)
Total return as a percentage of opening diluted EPRA NDV per share	**4.5%**	(0.2%)

d. Net loan to EPRA NDV

Net debt	**(36,392)**	(48,395)
EPRA NDV	**662,863**	633,845
Net loan to EPRA NDV	**5.5%**	7.6%

Glossary of frequently used terms and abbreviations

AGM	Annual General Meeting
AHFS	Assets held for sale
AMP	Advanced Manufacturing Park
APM	Alternative Performance Measure
BCP	Business Continuity Plan
BNG	Biodiversity Net Gain
BREEAM	Building Research Establishment Environmental Assessment Method
BTR	Build to Rent
CDM	Construction Design and Management
CEO	Chief Executive
CFO	Chief Financial Officer
CIO	Chief Investment Officer
Code	2018 UK Corporate Governance Code
COO	Chief Operating Officer
CPD	Continuous Professional Development
CRREM	Carbon Risk Real Estate Monitor
DNO	Distribution Network Operator
EBT	Employee Benefit Trust
ED&I	Equity, Diversity and Inclusion
EHS	Environment, Health & Safety
EPC	Energy Performance Certificate
EPRA	European Public Real Estate Association
ERV	Estimated Rental Value
ESG	Environmental, Social and Governance
the Executive	Comprises the CEO, CFO, COO, CIO and General Counsel/Company Secretary
EY	Ernst & Young LLP
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
GHG	Greenhouse gas
GLC	Group Leadership Committee
GRAM	Group Risk and Assurance Map
GVA	Gross Value Added
IPCC	Intergovernmental Panel on Climate Change
KPI	Key Performance Indicator
KWh	Kilowatt hours
LEP	Local Enterprise Partnership
LTV	Loan to portfolio value
MEES	Minimum Energy Efficiency Standard
NAV	Net Asset Value
NDV	Net Disposal Value
NZC	Net Zero Carbon
PEVG	Profit Excluding Value Gains
the Policy	The Directors' Remuneration Policy applicable for the three years from 2022 which was approved by shareholders at the 2022 AGM
PPA	Planning Promotion Agreement
PV	Photo-Voltaic
RCF	Revolving Credit Facility
RCP	Representative Concentration Pathway
RICS	Royal Institution of Chartered Surveyors
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
RSP	Restricted Share Plan
SAYE	Save As You Earn
SID	Senior Independent Director
SIP	Share Incentive Plan
SUDs	Sustainable urban drainage systems
TCFD	Task Force on Climate-Related Financial Disclosures
TSR	Total Shareholder Return
UN SDGs	United Nations Sustainable Development Goals

Company information and investor timetable

Non-Executive Chair

Alastair Lyons

Chief Executive

Lynda Shillaw

Chief Financial Officer

Kitty Patmore

Non-Executive Directors

Angela Bromfield
Ruth Cooke
Lisa Scenna
Patrick O'Donnell Bourke
Marzia Zafar
Steven Underwood
Martyn Bowes

Company Secretary and Registered Office

Christopher Birch
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
58/60 Briggate
Leeds, LS1 6AS

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 Brearley Room, AMP Technology Centre, Advanced Manufacturing Park, Brunel Way, Catcliffe, Rotherham, S60 5WG.	20 May 2024
Interim Results Announcement 2024 Interim Results to be published at www.harworthgroup.com/investors	September 2024

Registrars

All administrative enquiries relating to shareholdings should, in the first instance, be directed to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA (telephone: +44 (0)371 384 2301) and should clearly state the registered shareholder's name and address.

Dividend mandate

Any shareholder wishing dividends to be paid directly into a bank or building society should contact the Registrars for a dividend mandate form. Dividends paid in this way will be paid through the Bankers' Automated Clearing System (BACS).

Website

The Group has a website **(www.harworthgroup.com)** that gives further information on the Group.

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Harworth

Harworth Group plc
Head Office
Advantage House
Poplar Way
Rotherham
S60 5TR

@harworthgroup
@HarworthGroup
harworthgroup

Visit our website for the latest company news
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