Harworth

14 March 2023

Harworth Group plc

Full Year Results for the 12 months ended 31 December 2022

A year of operational and strategic progress despite a rapidly changing market backdrop in H2

Harworth Group plc ("Harworth" or the "Group"), a leading regenerator of land and property for sustainable development and investment, today announces its results for the 12 months ended 31 December 2022.

Key Non-Statutory Measures[1]	**2022**	2021	**Key Statutory Measures**	**2022**	2021
Total Return (%)	**0.1**	24.6	Operating profit (£m)	**44.5**	121.9
EPRA NDV per share (p)[2]	**196.5**	197.6	Net asset value (£m)	**602.7**	578.0
Value gains (£m)	**(2.0)**	160.5	Total dividend per share (p)[3]	**1.3**	1.2
Net loan to portfolio value (%)	**6.6**	3.4	Net debt (£m)	**48.4**	25.7

Lynda Shillaw, Chief Executive of Harworth, commented: "We continued to make significant operational progress during the year, delivering increased levels of direct development, accelerated land sales and targeted acquisitions in line with our strategy to become a £1bn business by 2027. We ended the year in a strong financial position, with a low LTV and significant available liquidity. Following a significant increase in valuations during the first half, we saw market-driven outward yield shifts across our Investment Portfolio and more mature industrial & logistics development sites during the second half. Over the course of the year, our management actions have largely offset market movements, and resulted in our valuations, and therefore EPRA NDV, remaining broadly flat year-on-year.

"At this early stage in the year we remain cautious about the economic backdrop for 2023. While there have been some recent positive indicators, uncertainty is likely to remain in our markets until interest rates reach their peak, and inflation falls back to manageable levels, creating the conditions for growth and improved investor confidence. Against this backdrop, our focus markets of residential and industrial & logistics continue to be drivers of economic growth and have robust fundamentals, while there remains an acute shortage of high-quality consented land.

"Harworth is a long-term through-the-cycle business, which means that we look through near-term market conditions. We control our landbank, where and when we invest, and have a highly experienced management team who are focused on execution. We are confident that our strategy is the right one to deliver long-term value to stakeholders while progressing our Net Zero Carbon commitments, and our strong financial position, differentiated products, and the scale and mix of our portfolio, position us well to realise the full potential of our sites."

Record direct development of Grade A space within 35.0m sq. ft industrial & logistics pipeline, with good occupier demand remaining

- Completed 332,000 sq. ft development at Bardon Hill in Leicestershire in September, which achieved Net Zero Carbon ('NZC') in construction status and is now part of the Investment Portfolio: 65% of space currently let or in heads of terms
- Completion after year-end of 110,000 sq. ft at Gateway 36 in Barnsley: 90% of space currently let or in heads of terms
- After year-end, agreed terms for a 73,000 sq. ft built-to-suit unit at the Advanced Manufacturing Park in Rotherham, to be retained in the Investment Portfolio after completion

Robust housebuilder demand and management actions drove significant growth in residential plot sales in line with, or ahead of, book value, with potential to deliver a further 29,311 plots from pipeline

- Completed residential land sales representing 2,236 plots (2021: 1,411 plots); H2 sales were at prices in line with, or ahead of, June 2022 valuations
- First residential serviced land sale at Ironbridge development in Shropshire, to Barratt and David Wilson Homes, for the delivery of the initial 110 of the planned 1,000 houses at the site
- Placemaking continues across sites: planning secured for new retail provision at South East Coalville in Leicestershire and a medical centre at Waverley, and planning submitted for new forest schools at South East Coalville and Thoresby Vale in Nottinghamshire
- Selected preferred investment and construction partners for development by Harworth of a single-family Build-to-Rent ('BTR') portfolio

Acquisitions further strengthened pipeline, with several significant sites progressing through the planning system

- Acquisitions added 2,643 plots and 8.5m sq. ft to the pipeline: includes option agreements to deliver up to 3.0m sq. ft at a site in North Yorkshire, and up to 1.6m sq. ft adjacent to Junction 15 of the M1 in Northamptonshire
- Secured planning permission for 248 residential units across four sites during the year, and for 278,000 sq. ft of industrial & logistics space after year-end across two sites
- Applications for 5.6m sq. ft of industrial & logistics space in the planning system at year-end

Investment Portfolio at 18% Grade A (31 December 2021: 11%): strong operational metrics resulting from ongoing occupier demand and rising rents

- Vacancy rate[(4)] of 8.3% at year-end, reduced to 2.7% by excluding recently completed Bardon Hill site (31 December 2021: 4.1%); 99% of rent collected for 2022 to date
- Leasing activity added £1.7m of annualised rent: new lettings at an average 10% premium to estimated rental values ('ERVs'), and renewals on average 8% ahead of previous passing rent
- After year-end, completed the sale of two sites for a total of £12.6m, broadly in line with or ahead of December 2022 valuations, as part of strategy to transition the Investment Portfolio to Grade A

Management actions largely offset market-driven yield shifts, leading to market outperformance for Total Return

- Total Return[(1)] of 0.1% (2021: 24.6%), reflecting the marginal decline in EPRA NDV
- EPRA NDV[(1)(2)] per share broadly flat at 196.5p (31 December 2021: 197.6p), as a result of market-driven outward yield movements in the valuation of the Investment Portfolio and our more mature industrial & logistics major development sites, offset by management actions
- EPRA NDV broadly flat at £633.8m (31 December 2021: £637.5m)
- An increase of 10% in the final dividend to 0.929p per share, in line with the Group's dividend policy, bringing the total dividend for the year to 1.333p per share

Focus maintained on sustainability and plans to be NZC by 2040 (and by 2030 for operations)

- All direct development retained in Investment Portfolio constructed to Harworth's sustainable commercial building specification
- Launch of NZC pathway, with specific targets for development and Investment Portfolio activities from now until 2040

Strong balance sheet and financial position, with a low net loan to portfolio value ('LTV') and significant available liquidity

- Year-end net debt of £48.4m (31 December 2021: £25.7m), representing LTV of 6.6% (31 December 2021: 3.4%)
- Available liquidity of £175.6m (31 December 2021: £128.0m); no major refinancing requirements until 2027

Notes:

(1) Harworth discloses both statutory and alternative performance measures ('APMs'). A full description of, and reconciliation to, the APMs is set out in Note 2 to the financial statements
(2) European Public Real Estate Association Net Disposal Value
(3) The Ex-dividend date, Record date and Payment date for the 2022 dividend can be found in the Shareholder Information section of this announcement
(4) Calculated using the EPRA Best Practices Recommendations Guidelines, with comparator recalculated on the same basis

For further information

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Results presentation

Harworth will host a presentation for analysts and investors at 9.30am today. A live webcast and playback of this can be accessed at the following link: https://brrmedia.news/Harworth_FY_results

About Harworth

Listed on the Premium Segment of the Main Market, Harworth Group plc (LSE: HWG) is a leading sustainable regenerator of land and property for development and investment which owns, develops and manages a portfolio of over 13,000 acres of land on around 100 sites located throughout the North of England and Midlands. The Group specialises in the regeneration of large, complex sites, in particular former industrial sites, into new residential and industrial & logistics developments. Visit www.harworthgroup.com for further information. LEI: 213800R8JSSGK2KPFG21

Chair's statement

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

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

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

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

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

When I became Chair in March 2018 Harworth had 57 employees and a last reported EPRA NDV* of £414.2m (and a statutory net asset value of £409.3m). As at December 2022 this had increased to £633.8m of ERPA NDV and £602.7m of statutory net assets, despite the 12.6% reduction in the value of our estate in the second half of last year. To deploy fully this significantly increased scale we now have 118 employees, with the specialist skills needed to progress the development of our expanded range of sites and support our strategic drives into mixed tenure and direct development. It is testament to the culture at Harworth and the values lived by its leaders, together with our very progressive approach to pay, benefits, and terms of employment, that we have built and retained the capabilities we need in a very challenging labour market. Employers used to choose people to work for them and tell them where and when to work: now people choose whom to work for and place high value on flexibility both as to location and how to work! We held our Employee

AGM in September, which provided an opportunity for all our employees to engage directly with our Non-Executive Directors. My colleagues and I were very struck by the extent of understanding of the strategy evidenced at that meeting and the depth of thought as to the implications of the then turbulent macro-economic environment on our markets and, therefore, our business. To be successful the vision cannot just be of the few who lead the business: it must be shared by all as everyone has their part to play in achieving it - we came away with the firm view that the Harworth vision, developed by Lynda and her team, is widely shared by our people.

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

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

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

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

Alastair Lyons
Chair
13 March 2023

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

Chief Executive's review

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

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

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

Our markets

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

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

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

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

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

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

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

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

Operational performance

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

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

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

We saw a record year for residential plot sales, with completed transactions totalling 2,236 plots (2021: 1,411 plots) at prices in line with, or ahead of, December 2021 valuations. These included our single largest serviced residential land sale, to Barratt and David Wilson Homes at Waverley, and also the first land parcel sale at our Ironbridge site, to the same housebuilder. We also launched our first single-family BTR portfolio of sites for up to 1,200 homes, which has attracted significant levels of interest. Our preferred investment and construction partners have now been selected and we are progressing towards exchange. Offering this combination of 'Build-to-Sell' and BTR products will allow us to accelerate the delivery, and enhance the vibrancy, of our residential sites, as we target the sale of an average of 2,000 residential plots per annum across all tenure types by 2027.

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

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

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

Financial performance

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

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

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

As we navigate a more uncertain economic period, we continue to maintain a strong balance sheet and financial position, with significant available liquidity of £175.6m as at 31 December 2022 (31 December 2021: £128.0m), following the signing of a new £200m revolving credit facility ('RCF') in early 2022, with no major refinancing events until 2027. Our LTV at year-end was 6.6% (31 December 2021: 3.4%), affording us a high degree of flexibility and resilience as we pursue our strategy.

The Harworth Way

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

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

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

Our people

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

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

Outlook

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

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

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

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

Lynda Shillaw
Chief Executive
13 March 2023

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

Operational review

Industrial & logistics land portfolio

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

Acquisitions and land assembly

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

- Site in North Yorkshire: a 316-acre site adjacent to the A1 near Selby. Harworth intends to promote the site for the development of up to 3.0m sq. ft of employment space as part of the Local Plan of the soon-to-be-formed North Yorkshire Council.

- Junction 15, Northamptonshire: a 168-acre site south of Junction 15 of the M1 in Northamptonshire. Harworth will work with local stakeholders to bring forward plans for up to 1.6m sq. ft of Grade A industrial & logistics space, alongside unique landscaping features and an ecological enhancement area.

Planning

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

Two significant planning applications currently remain in the system awaiting determination:

- Gascoigne Wood, North Yorkshire: this 185-acre former colliery site benefits from an existing rail connection and close proximity to the A1(M) and M62. Revised plans have been submitted for 1.5m sq. ft of rail-linked industrial & logistics space at the site.

- Skelton Grange, Leeds, West Yorkshire: formerly the location of Skelton Grange Power Station, this 50-acre site was acquired by Harworth in 2014 and is adjacent to Junction 45 of the M1, to the south-east of Leeds city centre. Plans have been submitted for 800,000 sq. ft of space across five units, in addition to infrastructure upgrades, new cycle ways and footpaths, and ecological enhancements.

Direct development and placemaking

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

- AMP in Rotherham, South Yorkshire: a 100,000 sq. ft build-to-suit facility was developed by Harworth for a sportswear manufacturer, which has upsized from a smaller unit elsewhere at the AMP.

- Bardon Hill, Leicestershire: a development of 332,000 sq. ft of Grade A logistics and manufacturing space across five units, located just two miles from Junction 22 of the M1, with 65% of the space currently let or in heads of terms. The site has achieved NZC in construction status and incorporates storm attenuation ponds, a 10-acre wildlife centre and landscaping features to enhance employee wellbeing.

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

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

Land sales

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

Residential land portfolio

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

Acquisitions and land assembly

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

Plot sales

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

Sales were completed with a range of housebuilders, and included the Group's largest serviced land sale to date by number of residential plots, representing 450 plots, and the first land parcel sale at Benthall Grange, the site of the former Ironbridge Power Station in Shropshire. Both sales were made to Barratt and David Wilson Homes. A sale at the South East Coalville site to Cadeby Homes represented the Group's first transaction with this regional housebuilder, the 21st housebuilder with which Harworth has transacted with since the Group was formed.

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

Placemaking

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

- South East Coalville, Leicestershire: a planning application was submitted for a new 420-place 'Forest School', which maximises opportunities for learning both inside and outside the classroom, and integrates several sustainability features including solar PV panel coverage and air source heat pumps. Planning was also secured for a new supermarket at the site, which will form part of a proposed local centre.

- Waverley, South Yorkshire: construction began on a new 150-bedroom hotel, including a restaurant and gym facilities, which will also be available to residents on site. Planning permission has also been granted for a new primary health centre, in conjunction with the local Clinical Commissioning Group, which will have capacity for 6,000 patients.

- Moss Nook, Merseyside: construction of a new spine road was completed at the site, with segregated pedestrian and cycle routes and landscaping features. The new road provides a more direct connection between the site and the amenities of St Helens town centre, and unlocks land for further residential development.

Investment portfolio

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

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

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

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

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

Disposals

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

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

Natural Resources portfolio

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

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

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

The Harworth Way

The Harworth Way is the Group's framework to integrate sustainability and social value into the business and its developments. It ensures that these objectives are embedded across the Group's culture and strategy, and within the creation of developments from concept to completion, making a lasting positive impact on the environment and communities. This commitment is delivered through the five pillars of the Harworth Way: the three impact pillars of Planet, Communities, People, together with the two supporting pillars of Governance and Partners.

The Harworth Way is a continually evolving sustainability framework: it is responsive to the ever-changing needs of the environments and communities that Harworth works within and, alongside the business strategy, guides the creation of sustainable places where people want to live and work.

Net Zero Carbon pathway

Last year, the Group committed to becoming NZC for Scope 1, Scope 2 and Scope 3 business travel emissions by 2030 and to be 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. A selection of these is outlined below.

Development commitments

Achieved in 2022

- All new commercial buildings EPC A rated and targeted BREEAM Excellent
- Whole life carbon assessments incorporated into all commercial building design briefs
- All new masterplans included renewable energy provision
- All new commercial buildings incorporated renewable energy provision

Planned for 2023

- Emissions and energy use intensity targets to be set for our commercial buildings as part of design briefs
- Develop a whole life carbon assessment process for our master developer role
- No new gas infrastructure provided for heating on our new developments
- Transition of existing developments away from gas infrastructure for heating
- Implement targets for residential buildings we deliver on our development sites
- Incorporate NZC criteria into the procurement of construction contracts

Medium-term: 2024-2030

- Set NZC targets in construction contracts
- All commercial developments to be NZC by 2030 with targeted improvements from 2023 to 2030 to achieve this target in accordance with the UKGBC Framework definitions

Ongoing: 2023-2040

- Work with our supply chain and occupiers to meet our NZC targets

Investment Portfolio commitments

Achieved in 2022

- All new occupiers offered Green Leases

Planned in 2023

- Launch tenant engagement programme including Net Zero Assets review of the energy usage and emissions from our existing Investment Portfolio
- Full review of our existing energy supply agreements with a transfer to renewable and low emission tariffs
- All new tenants offered power purchasing agreements from rooftop solar provision on commercial buildings
- Whole life carbon assessments incorporated into all commercial building upgrade and retrofit design briefs

Medium-term: 2023- 2025

- Fully costed NZC pathways business plans for each asset within our Investment Portfolio
- Review the opportunities for emissions sequestration on our land holdings to feed into our overall pathway
- Review the potential for locally-based power purchasing agreements

Planned for 2027

- Investment Portfolio to be 100% Grade A

Ongoing: 2023-2030

- All commercial developments will be NZC for embodied and operational carbon by 2030 with clear improvements from 2023 to 2030 to achieve this target

Further information

Further information on The Harworth Way and the Group's NZC pathway can be found within the 2023 Annual Report and standalone NZC Pathway Report, both of which will be published on 13 April 2023.

Financial review

Overview

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

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

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

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

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

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

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

Presentation of financial information

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

Our key APMs* are:

- Total Return: the movement in EPRA NDV plus dividends per share paid in the year expressed as a percentage of opening EPRA NDV per share.

- EPRA NDV per share: EPRA NDV aims to represent shareholder value under an orderly sale of the business, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability net of any resulting tax. EPRA NDV per share is EPRA NDV divided by the number of shares in issue at the end of the period (less shares held by the Employee Benefit Trust or Equiniti Share Plan Trustees Limited to satisfy Restricted Share Plan and Share Incentive Plan awards.)

- Value gains: the realised profits from the sales of properties and unrealised profits from property valuation movements including joint ventures, and the mark-to-market movement on development properties and overages.

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

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

Income Statement

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

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

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

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

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

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

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

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

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

Non-statutory value gains/(losses)*

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

£m	Category	2022 Profit /(loss) on sale	2022 Reval. gains/ (losses)	2022 Total	2021 Profit on sale	2021 Reval. gains/ (losses)	2021 Total	31 Dec 22 Total valuation	31 Dec 21 Total valuation
Capital Growth									
Residential Major Developments	Development	11.6	2.2	**13.8**	5.6	19.5	25.1	**228.1**	184.5
Industrial & Logistics Major Developments	Mixed	(2.0)	(3.4)	**(5.4)**	1.0	59.9	60.9	**68.2**	123.7
Residential Strategic Land	Investment	0.4	39.8	**40.2**	0.5	6.2	6.7	**51.4**	53.0
Industrial & logistics Strategic Land	Investment	(0.2)	(12.7)	**(12.9)**	0.6	28.2	28.8	**82.2**	91
Income Generation									
Investment Portfolio	Investment	-	(41.0)	**(41.0)**	0.1	36.2	36.3	**280.9**	277.5
Natural Resources	Investment	3.2	(0.2)	**3.0**	3.5	(1.9)	1.6	**20.3**	30.6
Agricultural Land	Investment	-	0.3	**0.3**	1.2	(0.1)	1.1	**5.7**	5.4
Total		**13.0**	**(15.0)**	**(2.0)**	12.5	148.0	160.5	**736.8**	765.7

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

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

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

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

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

- Industrial & logistics:
    - The industrial & logistics market had a record breaking first half of the year giving way to a much weaker second half. In particular, rising interest rates, a tighter lending environment and general economic uncertainty resulted in CBRE reporting that market-wide investment yields moved out by 175bps from June 2022 to December 2022 and 150bps over the 12 months of 2022 across both prime and secondary industrial & logistics properties. Occupier demand remained resilient and rents across the sector increased
    - These market dynamics affected our industrial & logistics Major Development sites, Strategic land sites and the Investment Portfolio. For development sites, costs of construction also increased over the year.
    - In Major Developments, gains relating to the sale of the Kellingley site, and on completing the direct development at Bardon Hill, development progress across sites, securing grant funding at Chatterley Valley and increased estimated rental value largely offset the downwards movement in valuations caused by increased yields

- Strategic Land valuations where the site is close to delivery, for example in the planning pipeline, were more affected by the market movements than longer term strategic sites, although valuation downwards movements were reduced by progress in planning made during the year
  - The Investment Portfolio property yields moved in line with the market but our management actions securing new leases, renewals and rent reviews resulted in the net initial yield moving only 60bps to 6.2% from 5.6% as at 31 December 2021

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

- Natural Resources: valuations remained broadly consistent with minor valuation decline in the waste and recycling portfolio

- Agricultural Land: we experienced a small valuation increase as a result of improving agricultural land prices.

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

Cash and sales

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

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

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

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

Tax

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

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

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

Basic earnings per share and dividends

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

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

Property categorisation

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

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

Net asset value

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

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

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

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

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

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

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

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 2022 providing further growth in sales.

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

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

Debt facilities

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

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

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

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

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

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

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

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

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

Kitty Patmore
Chief Financial Officer
13 March 2023

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

Appendix 1: Supplementary operational information

1.1 Main industrial & logistics sites (as at 31 December 2022)

Name	Location	Sold or developed (m sq. ft)	Consented or planned (m sq. ft)	Estimated GDV remaining to develop (£m)	Completion date
Advanced Manufacturing Park	Rotherham, South Yorkshire	1.6	2.1 consented	45-55	2027
Gateway 36	Barnsley, South Yorkshire	0.5	1.3 consented	70 - 80	2026
Chatterley Valley	Stoke-on-Trent, Staffordshire	-	1.2 consented	135 – 145	2027
Wingates	Bolton, Greater Manchester	-	1.0 consented(1)	130 - 140	2027
North Yorkshire site	North Yorkshire	n/a	3.0 planned	300 - 350	2040
Junction 15, M1	Northampton, Northamptonshire	n/a	1.6 planned	200 - 220	2030
Rothwell	Rothwell, Northamptonshire	n/a	1.5 planned	190 - 210	2028
Gascoigne Wood	Sherburn-in-Elmet, North Yorkshire	n/a	1.5 planned(1)	180 - 190	2028
Skelton Grange	Leeds, West Yorkshire	n/a	0.8 planned	110 - 120	2027

1. Masterplans revised during the year, resulting in a lower sq ft density

1.2 Main residential sites (as at 31 December 2022)

Name	Location	Sold (plots)	Consented or planned (plots)	Completion date
Waverley	Rotherham, South Yorkshire	2,442	3,038(1) consented	to 2025
South East Coalville	Coalville, Leicestershire	793	2,016 consented	to 2031
Simpson Park	Harworth, Nottinghamshire	628	1,615 consented	to 2027
Pheasant Hill Park	Doncaster, South Yorkshire	645	1,200 consented	to 2028
Benthall Grange, Ironbridge	Ironbridge, Shropshire	110	1,000 consented	to 2030
Moss Nook	St Helens, Merseyside	256	900 consented	to 2026
Thoresby	Edwinstowe, Nottinghamshire	362	800 Consented	to 2027
Huyton	Knowsley, Merseyside	n/a	1,500 planned	to 2033
Staveley	Staveley, Derbyshire	n/a	590 planned	to 2028

1. Consented plots revised to reflect the number of homes that can be built on remaining land at the site

Appendix 2: Key performance indicators

2.1 Financial track record

KPI	2022 result	2021 result	2022 performance commentary
Total Return (%) Growth in EPRA NDV during the year in addition to dividends paid, as a proportion of EPRA NDV at the beginning of the year.	0.1%	24.6%	Our total return was a result of EPRA NDV remaining broadly flat year-on-year, due to our management actions largely offsetting market-driven valuation movements.
EPRA Net Disposal Value ('NDV') per share A European Pubic Real Estate Association ("EPRA") metric that represents a net asset valuation where deferred tax, financial instruments and other adjustments as set out in Note 2 to the financial statements, are calculated to the full extent of their liability.	196.5p	197.6p	Following a significant increase in valuations during the first half, we experienced outward yield shifts driven by softer market conditions in the second half. Over the course of the year, our management actions largely offset market movements, and this resulted in valuations, and therefore EPRA NDV, remaining broadly flat year-on-year.
Net asset value 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.	£602.7m	£578.0m	Net asset value has increased as a result of crystalising valuation gains through development property sales during the year.
Net loan to portfolio value ('LTV') Net debt as a proportion of the aggregate value of properties and investments.	6.6%	3.4%	Our LTV increased slightly during the year, but remained well within our target of less than 20% at year-end as we continue to carefully manage our levels of net debt.

2.2 Strategic track record

KPI	2022 result	2021 result	2022 performance commentary
Number of plots sold to housebuilders The number of plots equivalent to land parcel sales to housebuilders during the year.	2,236	1,411	We completed a record number of residential plot sales in 2022. This was due to buoyant housebuilder demand and the bringing forward of land sales planned for future years to take advantage of market conditions.
Total residential pipeline The total number of residential plots that could be delivered from our pipeline at the end of the year including freehold land, options and PPAs.	29,311 plots	30,804 plots	Our residential pipeline declined slightly, but remains well within our ambition to maintain a 12-15 year land supply. The reduction was due to a record year for plot sales, which more than offset those added to the pipeline through acquisitions.
Industrials & logistics space direct developed The proportion of industrial & logistics space developed by Harworth, either speculatively or on a build-to-suit basis for an end occupier.	432,000 sq. ft	51,000 sq. ft	We developed a record amount of industrial & logistics space in 2022, totalling 432,000 sq. ft. This mainly comprised our 332,000 sq. ft Bardon Hill development in Leicestershire.
Total industrial & logistics pipeline The total amount of industrial & logistics space that could be delivered from our pipeline at the end of the year, including freehold land and options.	35.0m sq. ft	28.2m sq. ft	Our industrial & logistics pipeline increased significantly, with the signing of several option agreements and a number of freehold acquisitions as part of land assembly works.

KPI	2022 result	2021 result	2022 performance commentary
Proportion of Investment Portfolio that is Grade A The proportion of our Investment Portfolio by area at year-end that could be classified as modern Grade A industrial & logistics space. Although not officially defined, Grade A is a widely-used industry term that is understood to mean ‘best in class’ space which is new or relatively new, high-specification and in a desirable location, allowing the unit to attract a rent that is above the market average.	18%	11%	The proportion of our Investment Portfolio that is Grade A space increased as our completed Bardon Hill development was transferred to the portfolio.

2.3 Environmental, economic and social track record

KPI	2022 result	2021 result	2022 performance commentary
Potential GVA that could be delivered from our portfolio 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.	£4.6bn	£4.1bn	The potential GVA that could be delivered from our portfolio increased due to the additional employment potential created by our industrial & logistics acquisitions during the year.
Scope 1, Scope 2 and Scope 3 business travel emissions Emissions that are captured by our target to be NZC by 2030. During the year, the scope and availability of our emissions data increased, and therefore figures for 2021 have been restated to allow for a like-for-like comparison with 2022.	960 tCO_2e	1,083 tCO_2e	Our emissions decreased during the year, mainly due to reduced energy consumption at our company offices, communal areas of our Investment Portfolio assets and other Harworth assets and infrastructure.
Employee pride The proportion of employees who said they were “proud to tell people that I work for Harworth” in our annual employee survey.	100%	97%	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.

Principal risks & uncertainties

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

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

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

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

In addition to the above changes:

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

A detailed analysis of each principal risk is set out below, and in the "Effectively Managing our Risk" section of the 2022 Annual Report.

Risk: Availability of and competition for strategic sites Failure to acquire strategic land at appropriate prices due to constrained supply or competition. **Current risk**		
Inherent risk (before mitigating actions)	**Residual risk (after mitigating actions)**	**Change in residual risk in the year**
Very high	High	No change
Commentary		

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

Mitigation	Additional measures planned for 2023
• Extensive external stakeholder engagement to identify opportunities supported by internal co-ordination via regular internal acquisitions meetings. • Customer Relationship Management (**CRM**) system, which has been designed to help monitor our target acquisitions pipeline, and support the coordination of our engagement with stakeholders. • We seek input from our valuers prior to making major acquisitions to ensure we understand the latest market pricing. • Via our portfolio strategy, we manage the timing of acquisitions. • The review of project plans for each site helps highlight further acquisition opportunities. • We have continued to recruit additional acquisitions resource.	• Leveraging better our relationships with local authorities and agents. • Retrospective analysis of unsuccessful bids.

Risk: Planning

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

Current and emerging risk

Inherent risk (before mitigating actions)	Residual risk (after mitigating actions)	Change in residual risk in the year
Very high	High	No change

Commentary

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

Mitigation	Additional measures planned for 2023
• We regularly review greenbelt exposure at a portfolio level. • Through key stakeholder groups, we respond to emerging planning policy. • Stakeholder mapping is undertaken at a project level.	• Leveraging better our relationships with local authorities and agents. • Retrospective analysis of unsuccessful bids.

• Local political advisers are appointed on individual sites, where appropriate. • Strong relationships with local planning authorities and key local stakeholders. • Implementation of the CRM system. • We have continued to recruit additional internal planning resource. • Transaction approval papers include detailed planning strategies.	

Risk: Supply chain cost inflation and constraints

Supply chain pricing pressures and constraints (affecting labour, plant and raw materials) resulting in development cost increases, increases to forward cost plans, and potential project delivery delays.

Current risk

Inherent risk (before mitigating actions)	Residual risk (after mitigating actions)	Change in residual risk in the year
High	Medium	No change

Commentary

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

Mitigation	Additional measures planned for 2023
• Our procurement approach is considered early in project planning. • We undertake rigorous tender processes. • We have established a suite of legal precedents to promote consistency in land remediation and direct development procurement. • We utilise market intelligence regarding contractors' commitments and workload. • We have continued to recruit additional direct development and technical resource.	• Ongoing procurement review, as a result of which we have identified improvements in our operating model for implementation during 2023.

Risk: Supply chain and delivery partner management (counterparty risk)
Increase in exposure to supply chain, delivery and investment partners leading to increased risk of disputes with and/or default by and/or insolvency of counterparties.
Current risk

Inherent risk (before mitigating actions)	Residual risk (after mitigating actions)	Change in residual risk in the year
High	Medium	No change

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

Mitigation	Additional measures planned for 2023
• Our procurement approach is considered early in project planning. • A consistent process is followed for selecting and “onboarding” counterparties. • We have established a suite of legal precedents to promote consistency in land remediation and direct development procurement. • Our central technical team monitors contractor “concentration risk” and financial health and promotes consistencies and knowledge-sharing across our portfolio. • Use of our CRM system. • External review of contractor insurance packages for every direct development project	• Ongoing procurement review, as a result of which we have identified improvements in our operating model for implementation during 2023.

Risk: Statutory costs of development
Legislative reforms which do, or may, impose a tax or levy on development, or have the effect of levying an additional cost on development.
Current and emerging risk

Inherent risk (before mitigating actions)	Residual risk (after mitigating actions)	Change in residual risk in the year
High	Medium	No change

Commentary
The Board is focused on legislative changes that act as a further cost on development as it is settled government policy to increase public financial gain by taking a larger proportion of land value uplift derived from planning consents. In short succession there have been the introduction of two new measures designed to fund cladding repairs on high-rise residential buildings: the residential property developer tax and the building safety levy expected to be implemented in 2023, albeit the former has had a limited impact on project outcomes and Group performance. On the horizon is the infrastructure levy as part of planning reforms to be implemented via the Levelling Up and Regeneration Bill.

Mitigation	Additional measures planned for 2023
• Enhanced horizon scanning regime. • Sensitivity to additional statutory costs modelled when assessing acquisitions. • Through key stakeholder groups, we respond to emerging policy.	None planned.

Risk: Residential and commercial markets

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

Current risk

Inherent risk (before mitigating actions)	Residual risk (after mitigating actions)	Change in residual risk in the year
High	High	Increase

Commentary

The residential and industrial & logistics markets were volatile throughout 2022 as a result of macroeconomic, political and geopolitical factors. It was largely a “tale of two halves”: whilst H1 2022 valuations had strong growth, H2 was categorised by unpredictability and a marked downward trend in industrial & logistics, initially in market sentiment followed by some transactional evidence of a downturn in that sector. In October 2022, the Board concluded that the residual risk status of this risk had moved from “medium” to “high” given indications of a slowing residential market and material yield shifts affecting both prime and secondary industrial & logistics assets.

Despite Harworth’s resilient business model and through-the-cycle approach, it is not immune to shifts in the market. Substantial uncertainty prevails although current forecasts suggest the commercial property market will experience a faster recovery than the residential market, which is more susceptible to further adverse market movements. However, the structural undersupply in both of our core markets, constraints of available consented land, and our ability to create value through our management actions will continue to mitigate some of the impact and encourage long-term stability.

Mitigation	Additional measures planned for 2023
• Regular feedback is received from advisers on the status of residential and industrial & logistics markets in our core regions to supplement generic market commentary. • During 2022 we took advantage of favourable market conditions by accelerating residential sales. • Regular review (biannual) of project plans for each site by the Investment Committee, which is heavily informed by prevailing market conditions. • Management actions to drive value.	• Pursuant to our strategy, but considering the current market, we continue to pursue mixed tenure strategies and do not intend to start any new speculative direct development projects this year instead focusing on land sales, pre-let and build-to-suit opportunities.

<table>
<tr><td colspan="6">Risk: Organisational development and design
Misalignment of culture, capability, values, behaviours, formal processes, systems and/or controls with what the business requires to deliver the strategy.
Current risk</td></tr>
<tr><td colspan="2">Inherent risk
(before mitigating actions)</td><td colspan="2">Residual risk
(after mitigating actions)</td><td colspan="2">Change in residual risk in the year</td></tr>
<tr><td colspan="2">High</td><td colspan="2">Medium</td><td colspan="2">New risk</td></tr>
<tr><td colspan="6">Commentary
Harworth has experienced a period of rapid growth with a significant increase in the number of employees. The Board recognises that a structured change management approach to both organisational development (the “informal” elements of behaviour, values and culture) and organisational design (the “formal” elements of operation and governance) is critical as the Group continues to evolve and grow over the long term.</td></tr>
<tr><td colspan="3">Mitigation</td><td colspan="3">Additional measures planned for 2023</td></tr>
<tr><td colspan="3">• Appointment of Group Resources and Transformation Director.
• Implementation of people strategy to complement our business strategy, focusing on the number and nature of resources required to fill skills gaps as well as volume gaps.
• Better alignment of Group and personal objectives with delivery of strategy.
• Launch of a new Leadership Development Programme.</td><td colspan="3">• Implementation of ‘People and Enabling Excellence Strategy’.</td></tr>
</table>

<table>
<tr><td colspan="3">Risk: Availability of appropriate capital
Inability to access appropriate equity and/or debt funding to support the strategy.
Current and emerging risk</td></tr>
<tr><th>Inherent risk
(before mitigating actions)</th><th>Residual risk
(after mitigating actions)</th><th>Change in residual risk in the year</th></tr>
<tr><td>High</td><td>Medium</td><td>Increase</td></tr>
<tr><td colspan="3">Commentary
There is a need to match capital to the operational and project specific needs of the business, accommodating the increase in pace and scale of activity under our strategy. In early 2022 we entered into a new senior debt facility comprising a five-year £200m RCF together with a £40m accordion facility. This RCF, supplemented by project-specific funding where appropriate, supports the funding needs of the business. Our net debt at the end of 2022 was low and is forecast to remain relatively modest during 2023 and we retain headroom in all covenants. However, to leverage our growing development pipeline we will need to make full use of our debt finance capacity. The Board recognises it could be challenging, given current market uncertainty, to raise additional equity to fund accelerated development in addition to the Strategic Plan or a major acquisition. Whilst this is not a short-term risk, work will commence this year to explore wider potential funding options, prompting the Board to conclude that the residual risk status of this risk has moved from “low” to “medium”.</td></tr>
</table>

<table>
<tr><th>Mitigation</th><th>Additional measures planned for 2023</th></tr>
<tr><td>• Regular review of financing strategy to complement our business strategy, supported by external consultants where required.
• In early 2022, we signed a new RCF comprising a five-year £200m revolving credit facility together with a £40m accordion facility.
• This is supplemented by accessing project specific funding where relevant.
• We continue to pursue and unlock grant funding.
• Appointment of Financial Planning and Treasury Manager contributing to improved longer-term financial forecasting.</td><td>• Continue to identify scheme specific and grant funding.
• An updated review of capital structure funding options.</td></tr>
</table>

Risk: Health and safety		
Incident causing injury and/or death resulting in liability, penalties and/or reputational damage.		
Current risk		
Inherent risk (before mitigating actions)	**Residual risk (after mitigating actions)**	**Change in residual risk in the year**
Very high	Low	No change

Commentary

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

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

Risk: Net Zero Carbon (NZC) pathway
Failure to develop, manage and meet our NZC commitments and/or NZC regulations, resulting in financial loss, reduced investment and reputational damage.
Current and emerging risk

Inherent risk (before mitigating actions)	Residual risk (after mitigating actions)	Change in residual risk in the year
High	Medium	No change

Commentary
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, while remaining profitable. It also embraces external factors such as industry and stakeholder metrics and the approach taken by Local and Combined Authorities on e.g. carbon tax, biodiversity net gain and social value measures. Following the appointment of our Director of Sustainability in H1 2022, we focused on developing The Harworth Way, which is the Group's continually evolving Sustainability Framework, and developing our NZC Pathway. The NZC pathway Report has been published alongside this Annual Report and is available on our website.

Mitigation	Additional measures planned for 2023
• Development of The Harworth Way and NZC Pathway with targets identified. • Appointment of a Director of Sustainability and wider sustainability team. • We have an ESG Board Committee to oversee formulation and delivery of our Sustainability Framework, target-setting and reporting. • We appointed a new Non-Executive Director to the Board, Marzia Zafar, with a strong background in sustainability. • All buildings delivered in 2022 were NZC in operation ready, mitigating future Scope 3 emissions. • Continued transition of our Investment Portfolio to 100% modern Grade A by 2027. • Development of an Energy and Natural Capital strategy, which includes a review of opportunities for carbon sequestration, bio-diversity net gain, carbon trading and use of renewable energy. • We are a member of the UK Green Building Council, which facilitates sharing of knowledge and best practice.	• Embed fully environmental analysis into our project appraisals and approvals process. • Continue to improve the capture and analysis of environmental data (including from supply chain and occupiers). • Develop a carbon accounting system, including appropriate accreditation. • Continued development of Harworth’s commercial and residential building specifications.

Risk: Cyber security
Successful cyber-attack jeopardising business continuity.
Current risk

Inherent risk (before mitigating actions)	Residual risk (after mitigating actions)	Change in residual risk in the year
Very high	Low	No change

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

Mitigation	Additional measures planned for 2023
• Our IT Disaster Recovery Plan has been incorporated into an updated Business Continuity Plan.	• Desktop test of updated Business Continuity Plan.

• We have an external provider for IT support which remains vigilant to the evolving cyber security backdrop and an outsourced Information Security manager. • We take out cyber risk insurance. • We undertake biennial penetration testing, supported by regular phishing simulations and continuous IT system vulnerability scanning. • We have a rolling cyber and information security awareness programme for all employees.	

Chris Birch
General Counsel and Company Secretary
13 March 2023

Directors’ Responsibilities Statement

The Directors’ Responsibilities Statement below has been prepared in connection with the full Annual Report and financial statements for the year ended 31 December 2022.

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 in the Annual Report) 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.

Disclosure of information to the auditor

Each of the Directors who were in office at the date of approval of this Report also confirms that:

- so far as he or she is aware, there is no relevant audit information of which the auditor is unaware; and
- each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant information and to establish that the Group's and Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 Companies Act.

This Statement of Directors' Responsibilities was approved by the Board and signed by order of the Board:

Chris Birch
General Counsel and Company Secretary
13 March 2023

Cautionary statement and Directors' liability

This announcement and the 2022 Annual Report and Financial Statements contain certain forward-looking statements which, by their nature, involve risk, uncertainties and assumptions because they relate to future events and circumstances. Actual outcomes and results may differ materially from any outcomes or results expressed or implied by such forward looking statements. Any forward-looking statements made by or on behalf of the Group are made in good faith based on current expectations and beliefs and on the information available at the time the statement is made. No representation or warranty is given in relation to these forward-looking statements, including as to their completeness or accuracy or the basis on which they were prepared, and undue reliance should not be placed on them. The Group does not undertake to revise or update any forward-looking statement contained in this announcement or the 2022 Annual Report and Financial Statements to reflect any changes in its expectations with regard thereto or any new information or changes in events, conditions or circumstances on which any such statement is based, save as required by law and regulations. Nothing in this announcement or the 2022 Annual Report and Financial Statements should be construed as a profit forecast.

This announcement and the 2022 Annual Report and Financial Statements have been prepared for, and only for, the shareholders of the Company, as a body, and no other persons. Neither the Company nor the Directors accept or assume any liability to any person to whom this announcement or the 2022 Annual Report and Financial Statements is shown or into whose hands they may come except to the extent that such liability arises and may not be excluded under English law.

Financial Calendar

Annual Report and Accounts for the year ended 31 December 2022	Published	13 April 2023
2023 Annual General Meeting	Scheduled	23 May 2023
Final dividend for the year ending 31 December 2022	Ex-dividend date Record date Payable	04 May 2023 05 May 2023 26 May 2023
Half-year results for the six months ending 30 June 2022	Announced	September 2023

Registrars

All administrative enquiries relating to shareholdings should, in the first instance, be directed to Equiniti. Help can be found at www.shareview.co.uk. Alternatively you can contact at Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA (telephone: +44 (0)371 384 2301) and should state clearly 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’).

Shareview service

The Shareview service from Equiniti allows shareholders to manage their shareholding online. It gives shareholders direct access to their data held on the share register, including recent share movements and dividend details and the ability to change their address or dividend payment instructions online.

To visit the Shareview website, go to www.shareview.co.uk. There is no charge to register but the ‘shareholder reference number’ printed on proxy forms or dividend stationery will be required.

Website

The Group’s website (harworthgroup.com) gives further information on the Group. Detailed information for shareholders can be found at harworthgroup.com/investors.

Consolidated Income Statement

for the year ended 31 December 2022

	Note	**Year ended 31 December 2022 £'000**	Year ended 31 December 2021 £'000
Revenue	3	**166,685**	109,884
Cost of sales	3	**(83,292)**	(61,185)
Gross profit	3	**83,393**	48,699
Administrative expenses	3	**(22,090)**	(19,202)
Other (losses)/gains	3	**(16,761)**	92,488
Other operating expense	3	**(56)**	(58)
Operating profit	3	**44,486**	121,927
Finance costs	4	**(6,367)**	(4,100)
Finance income	4	**227**	182
Share of (loss)/profit of joint ventures (including impairment)	9	**(7,487)**	9,225
Profit before tax		**30,859**	127,234
Tax charge	5	**(3,021)**	(33,244)
Profit for the year		**27,838**	93,990

Earnings per share from operations		Pence	Pence
Basic	7	**8.6**	29.1
Diluted	7	**8.5**	28.9

Notes 1 to 16 are an integral part of these condensed consolidated financial statements. All activities are derived from continuing operations.

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2022

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Profit for the year	**27,838**	93,990
Other comprehensive income/(expense) – items that will not be reclassified to profit or loss:		
Net actuarial gain in Blenkinsopp Pension scheme	**295**	262
Revaluation of Group occupied property	**(133)**	(200)
Deferred tax on other comprehensive expense items	**(101)**	(137)
Other comprehensive income – items that may be reclassified subsequently to profit or loss:		
Fair value of financial instruments	**156**	670
Total other comprehensive income	**217**	595
Total comprehensive income for the year	**28,055**	94,585

Consolidated Balance Sheet

as at 31 December 2022

	Note	As at 31 December 2022 £'000	As at 31 December 2021 £'000
ASSETS			
Non-current assets			
Property, plant and equipment		**600**	681
Right of use assets		**254**	94
Trade and other receivables		**4,013**	5,369
Investment properties	8	**400,363**	478,355
Investment in joint ventures	9	**29,828**	36,131
		435,058	520,630
Current assets			
Inventories	10	**216,393**	177,822
Trade and other receivables		**56,658**	49,755
Assets held for sale	11	**59,790**	1,925
Cash	12	**11,583**	12,037
		344,424	241,539
Total assets		**779,482**	762,169
LIABILITIES			
Current liabilities			
Borrowings	13	**(3,067)**	-
Trade and other payables		**(82,499)**	(94,316)
Lease liabilities		**(82)**	(42)
Current tax liabilities	5	**(7,013)**	(2,947)
		(92,661)	(97,305)
Net current assets		**251,763**	144,234
Non-current liabilities			
Borrowings	13	**(56,911)**	(37,781)
Trade and other payables		**(2,819)**	(5,686)
Lease liabilities		**(172)**	(52)
Derivative financial instruments		**-**	(156)
Net deferred income tax liabilities	5	**(24,141)**	(42,647)
Retirement benefit obligations		**(114)**	(558)
		(84,157)	(86,880)
Total liabilities		**(176,818)**	(184,185)
Net assets		**602,664**	577,984
SHAREHOLDERS' EQUITY			
Capital and reserves			
Called up share capital	14	**32,305**	32,272
Share premium account		**24,688**	24,627
Fair value reserve		**174,520**	199,629
Capital redemption reserve		**257**	257
Merger reserve		**45,667**	45,667
Investment in own shares		**(50)**	(24)
Retained earnings		**297,439**	181,566
Current year profit		**27,838**	93,990
Total shareholders' equity		**602,664**	577,984

Consolidated Statement of Changes in Equity

for the year ended 31 December 2022

	Called up share capital £'000	Share premium £'000	Merger reserve £'000	Fair value reserve £'000	Capital redemption reserve £'000	Investment in own shares £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2021	32,253	24,567	45,667	132,833	257	(73)	253,208	488,712
Profit for the financial year	-	-	-	-	-	-	93,990	93,990
Fair value gains on investment property	-	-	-	88,586	-	-	(88,586)	-
Transfer of unrealised gains on disposal of investment property	-	-	-	(21,590)	-	-	21,590	-
Other comprehensive (expense)/income:								
Actuarial gain in Blenkinsopp pension scheme	-	-	-	-	-	-	262	262
Revaluation of group occupied property	-	-	-	(200)	-	-	-	(200)
Fair value of financial instruments	-	-	-	-	-	-	670	670
Deferred tax on other comprehensive (expense)/income items	-	-	-	-	-	-	(137)	(137)
Total comprehensive income for the year ended 31 December 2021	-	-	-	66,796	-	-	27,789	94,585
Transactions with owners:								
Purchase of own shares	-	-	-	-	-	(21)	-	(21)
Share-based payments	-	-	-	-	-	76	472	548
Dividends paid	-	-	-	-	-	-	(5,913)	(5,913)
Share issue	19	60	-	-	-	(6)	-	73
Balance at 31 December 2021	**32,272**	**24,627**	**45,667**	**199,629**	**257**	**(24)**	**275,556**	**577,984**
Profit for the financial year	-	-	-	-	-	-	**27,838**	**27,838**
Fair value losses on investment property	-	-	-	**(10,019)**	-	-	**10,019**	-
Transfer of unrealised gains on disposal of investment property	-	-	-	**(14,957)**	-	-	**14,957**	-
Other comprehensive (expense)/income:								-
Actuarial gain in Blenkinsopp pension scheme	-	-	-	-	-	-	**295**	**295**
Revaluation of group occupied property	-	-	-	**(133)**	-	-	-	**(133)**
Fair value of financial instruments	-	-	-	-	-	-	**156**	**156**
Deferred tax on other comprehensive expense items	-	-	-	-	-	-	**(101)**	**(101)**
Total comprehensive (expense)/income for the 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	-	-	-	-	-	-	**(4,032)**	**(4,032)**
Share issue	**33**	**61**	-	-	-	-	-	**94**
Balance at 31 December 2022	**32,305**	**24,688**	**45,667**	**174,520**	**257**	**(50)**	**325,277**	**602,664**

Consolidated Statement of Cash Flows

for the year ended 31 December 2022

	Note	**Year ended 31 December 2022 £'000**	Year ended 31 December 2021 £'000
Cash flows from operating activities			
Profit before tax for the financial year		**30,859**	127,234
Net finance costs	4	**6,140**	3,918
Other losses/(gains)		**16,761**	(92,488)
Share of loss/(profit) of joint ventures (including impairment)	9	**7,487**	(9,225)
Share-based transactions[1]		**728**	426
Depreciation of property, plant and equipment and right of use assets		**152**	234
Pension contributions in excess of charge		**(149)**	(148)
Operating cash inflow before movements in working capital		**61,978**	29,951
Decrease in inventories		**16,502**	4,133
Increase in receivables		**(6,482)**	(3,715)
(Decrease)/increase in payables		**(13,137)**	26,669
Cash generated from operations		**58,861**	57,038
Interest paid		**(3,998)**	(3,531)
Corporation tax paid		**(17,702)**	(3,646)
Cash generated from operating activities		**37,161**	49,861
Cash flows from investing activities			
Interest received	4	**227**	182
Investment in joint ventures	9	**(1,849)**	(1,624)
Distribution from joint ventures	9	**665**	34
Net proceeds from disposal of investment properties, AHFS and overages		**14,232**	44,472
Property acquisitions		**(13,445)**	(18,105)
Expenditure on investment properties and AHFS		**(53,107)**	(22,851)
Expenditure on property, plant and equipment		**(110)**	(32)
Cash (used in)/generated from investing activities		**(53,387)**	2,076
Cash flows from financing activities			
Net proceeds from issue of ordinary shares		**67**	68
Purchase of own shares		**-**	(21)
Proceeds from other loans		**19,850**	4,900
Repayment of other loans		**-**	(4,425)
Proceeds from bank loans		**154,000**	45,000
Repayment of bank loans		**(152,000)**	(91,000)
Loan arrangement fees		**(2,022)**	(1,134)
Payment in respect of leases		**(91)**	(85)
Dividends paid		**(4,032)**	(5,913)
Cash generated from/(used in) financing activities		**15,772**	(52,610)
Decrease in cash		**(454)**	(673)
Cash as at beginning of year	12	**12,037**	12,710
Decrease in cash		**(454)**	(673)
Cash as at end of year	12	**11,583**	12,037

[1] Share-based transactions reflect the non-cash expenses relating to share-based payments included within the income statement

Notes to the financial information

for the year ended 31 December 2022

1. Accounting policies

The principal accounting policies adopted in the preparation of this audited consolidated financial information 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 UK. The address of its registered office is Advantage House, Poplar Way, Catcliffe, Rotherham, South Yorkshire, S60 5TR.

The Company is a public company listed on the London Stock Exchange.

The consolidated financial statements for the year ended 31 December 2022 consolidate the results of the Company and its subsidiaries (together referred to as the "Group").

Basis of preparation

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and UK adopted International Accounting Standards ("IFRS").

The financial information set out herein does not constitute the Company's statutory accounts for the years ended 31 December 2022 or 2021 but is derived from those accounts. The financial information has been prepared using accounting policies consistent with those set out in the annual report and accounts for the year ended 31 December 2022. Statutory accounts for 2021 have been delivered to the Registrar of Companies, and those for 2022 will be delivered in due course. The auditors have reported on those accounts; their report was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and did not contain any statements under Section 498(2) or (3) of the Companies Act 2006.

Going-concern basis

These financial statements are prepared on the basis that the Group is a going concern. In forming its opinion as to going concern, the Company prepares cash flow and banking covenant forecasts based upon its assumptions with particular consideration to the key risks and uncertainties and the current macro-economic environment as well as taking into account available borrowing facilities. The going concern period assessed is until June 2024 which has been selected as it can be projected with a good degree of expected accuracy and covers a complete period of reporting under the Group's RCF.

A key focus of the assessment of going concern is the management of liquidity and compliance with borrowing facilities for the period to June 2024. During the year; a new five year £200m RCF was agreed with HSBC joining as a new lender in addition to current lenders NatWest and Santander. The new RCF is aligned to the Group's strategy and provides significant additional liquidity and flexibility to enable it to pursue its strategic objectives. The new facility is subject to financial covenants, including minimum interest cover, maximum infrastructure debt as a percentage of property value and gearing, all of which are tested through the going concern assessment undertaken. Available liquidity, including cash and cash equivalents and bank facility headroom was £175.6m as at 31 December 2022.

The Group benefits from diversification across its Capital Growth and Income Generation businesses including its industrial and renewable energy property portfolio. Taking into account the independent valuation by BNP Paribas and Savills, the Group net loan-to-portfolio value remains low at 6.6%, within the Board's target range and with headroom to allow for falls in property values. Rent collection remained strong, with 99% collected to date for 2022.

In addition to the base forecast, a sensitised forecast was produced that reflected a number of severe but plausible downsides. This downside included: 1) a severe reduction in sales to the housebuilding sector as well as lower investment property sales; 2) notwithstanding strong rent collection to date in line with previous quarters, a prudent material increase in bad debts across the portfolio over the majority of the going concern assessment period; 3) a material decline in the value of land and investment property values as a result of macro-economic conditions; and 4) a significant increase in interest rates, impacting the cost of the Group's borrowings.

A scenario has also been run which demonstrates that very severe loss of revenue, valuation reductions and interest cost increases would be required to breach cashflow and banking covenants. A scenario with consideration of potential climate change and related transition impacts was also examined as part of the Group's focus on climate-related risks and opportunities.

Even in the downside scenarios, for the going concern period to June 2024, the Group expects to continue to have sufficient cash reserves to continue to operate with headroom on lending facilities and associated covenants and has additional mitigation measures within management's control, for example reducing development and acquisition expenditure and reducing operating costs, that could be deployed to create further cash and covenant headroom.

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

Changes in accounting policy and disclosures

(a) New standards, amendments and interpretations

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

(b) New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2023 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

Estimates and judgements

The preparation of the consolidated 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 consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied in the consolidated financial statements for the year ended 31 December 2021.

2. Alternative Performance Measures ("APMs")

Introduction

The Group has applied the December 2019 European Securities and Markets Authority ("ESMA") guidance on APMs and the November 2017 Financial Reporting Council ("FRC") corporate thematic review of APMs in these results. An APM is a financial measure of historical or future financial performance, position or cash flows of the Group which is not a measure defined or specified under IFRS.

Overview of use of APMs

The Directors believe that APMs assist in providing additional useful information on the underlying trends, performance and position of the Group. APMs assist our stakeholder users of the accounts, particularly equity and debt investors, through the comparability of information. APMs are used by the Directors and management, both internally and externally, for performance analysis, strategic planning, reporting and incentive-setting purposes.

APMs are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, including peers in the real estate industry. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

The derivations of our APMs and their purpose

The primary differences between IFRS statutory amounts and the APMs that we use are as follows:

1. Capturing all sources of value creation – Under IFRS, the revaluation movement in development properties 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 our independent valuers BNP Paribas and Savills, 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 its APMs as its joint ventures conduct similar operations to Harworth, albeit in different ownership structures; and
3. Comparability with industry peers – Harworth discloses some APMs which are EPRA measures as these are a set of standard disclosures for the property industry and thus aid comparability for our 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 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 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 - Group debt net of cash and cash equivalents held expressed as a percentage of portfolio value

EPRA Net Asset Measures

EPRA introduced a new set of Net Asset Value metrics in 2020: EPRA Net Reinstatement Value ("NRV"), EPRA Net Tangible Assets ("NTA") and EPRA NDV. While the Group uses only EPRA NDV as a key APM, the EPRA Best Practices Recommendations guidelines require companies to report all three EPRA NAV metrics and reconcile them to IFRS. These disclosures are provided below.

			31 December 2022
	EPRA NDV	EPRA NTA	EPRA NRV
	£'000	£'000	£'000
Net assets	602,664	602,664	602,664
Cumulative unrealised gains on development properties	33,852	33,852	33,852
Cumulative unrealised gains on AHFS	-	-	-
Cumulative unrealised gains on overages	7,500	7,500	7,500
Deferred tax liabilities (IFRS)	-	24,141	24,141
Notional deferred tax on unrealised gains	(10,171)	-	-
Deferred tax liabilities @ 50%	-	(17,156)	-
Mark to market valuation of financial instruments	-	-	-
Purchaser costs	-	-	46,307
	633,845	651,001	714,464
Number of shares used for per share calculations	322,612,685	322,612,685	322,612,685
Per share	196.5	201.8	221.5

			31 December 2021
	EPRA NDV	EPRA NTA	EPRA NRV
	£'000	£'000	£'000
Net assets	577,984	577,984	577,984
Cumulative unrealised gains on development properties	72,452	72,452	72,452
Cumulative unrealised gains on AHFS	-	-	-
Cumulative unrealised gains on overages	3,500	3,500	3,500
Deferred tax liabilities (IFRS)	-	42,647	42,647
Notional deferred tax on unrealised gains	(16,483)	-	-
Deferred tax liabilities @ 50%	-	(29,565)	-
Mark to market valuation of financial instruments	-	156	156
Purchaser costs	-	-	51,105
	637,453	667,174	747,844
Number of shares used for per share calculations	322,539,284	322,539,284	322,539,284
Per share	197.6	206.9	231.9

1) Reconciliation to statutory measures

a. Revaluation (losses)/gains	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
(Decrease)/increase in fair value of investment properties	(19,725)	83,961
(Decrease)/increase in fair value of AHFS	(199)	1,078
Share of (loss)/profit of joint ventures	(7,487)	9,225
Net realisable value provision on development properties	(7,074)	(1,574)
Reversal of previous net realisable value provision on development properties	5,030	4,393
Amounts derived from statutory reporting	(29,455)	97,083
Unrealised gains on development properties	10,493	50,437
Unrealised losses on AHFS	-	(15)
Unrealised gains on overages	4,003	500
Revaluation (losses)/gains	(14,959)	148,005

b. Profit on sale	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Profit on sale of investment properties	923	1,824
Profit on sale of AHFS	2,071	5,625
Profit on sale of development properties	57,252	11,223
Release of net realisable value provision on disposal of development properties	1,649	2,367
Profit on sale of overages	169	-
Amounts derived from statutory reporting	62,064	21,039
Less previously unrealised gains on development properties released on sale	(49,093)	(7,833)
Less previously unrealised gains on AHFS released on sale	-	(760)
Profit on sale	12,971	12,446

c. Value (losses)/gains	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Revaluation (losses)/gains	(14,959)	148,005
Profit on sale	12,971	12,446
Value (losses)/gains	(1,988)	160,451

d. Total property sales	**Year ended 31 December 2022 £'000**	Year ended 31 December 2021 £'000
Revenue	**166,685**	109,884
Less revenue from other property activities	**(10,478)**	(14,799)
Less revenue from income generation activities	**(31,251)**	(28,773)
Add proceeds from sales of investment properties, AHFS and overages	**13,550**	41,956
Total property sales	**138,506**	108,268

e. Operating profit contributing to growth in EPRA NDV	**Year ended 31 December 2022 £'000**	Year ended 31 December 2021 £'000
Operating profit	**44,486**	121,927
Share of (loss)/profit of joint ventures	**(7,487)**	9,225
Unrealised gains on development properties	**10,493**	50,437
Unrealised losses on AHFS	**-**	(15)
Unrealised gains on overages	**4,003**	500
Less previously unrealised gains on development properties released on sale	**(49,093)**	(7,833)
Less previously unrealised gains on AFHS released on sale	**-**	(760)
Operating profit contributing to growth in EPRA NDV	**2,402**	173,481

f. Portfolio value	**As at 31 December 2022 £'000**	As at 31 December 2021 £'000
Land and buildings (included within property, plant and equipment)	**500**	635
Investment properties	**400,363**	478,355
Investments in joint ventures	**29,828**	36,131
AHFS	**59,790**	1,925
Development properties (included within inventories)	**204,952**	172,701
Amounts derived from statutory reporting	**695,433**	689,747
Cumulative unrealised gains on development properties as at year end	**33,852**	72,452
Cumulative unrealised gains on overages as at year end	**7,500**	3,500
Portfolio value	**736,785**	765,699

g. Net debt	**As at 31 December 2022 £'000**	As at 31 December 2021 £'000
Gross borrowings	**(59,978)**	(37,781)
Cash and cash equivalents	**11,583**	12,037
Net debt	**(48,395)**	(25,744)

h. Net loan to portfolio value %	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Net debt	**(48,395)**	(25,744)
Portfolio value	**736,785**	765,699
Net loan to portfolio value (%)	**6.6%**	3.4%

i. Net loan to income generation portfolio value (%)	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Net debt	**(48,395)**	(25,744)
Core income generation portfolio value (investment portfolio and natural resources)	**230,133**	290,277
Net loan to core income generation portfolio value (%)	**21.0%**	8.9%

j. Gross loan to portfolio value (%)	**As at 31 December 2022 £'000**	As at 31 December 2021 £'000
Gross borrowings	**(59,978)**	(37,781)
Portfolio value	**736,785**	765,699
Gross loan to portfolio value (%)	**8.1%**	4.9%

k. Gross loan to core income generation portfolio value (%)	**As at 31 December 2022 £'000**	As at 31 December 2021 £'000
Gross borrowings	**(59,978)**	(37,781)
Core income generation portfolio value (investment portfolio and natural resources)	**230,133**	290,277
Gross loan to core income generation portfolio value (%)	**26.1%**	13.0%

l. Number of shares used for per share calculations (number)	**As at 31 December 2022**	As at 31 December 2021
Number of shares in issue	**323,051,124**	322,724,566
Less Employee Benefit Trust and Equiniti Share Plan Trustees Limited held shares (own shares)	**(438,439)**	(185,282)
Number of shares used for per share calculations	**322,612,685**	322,539,284

m. Net Asset Value (NAV) per share	**As at 31 December 2022**	As at 31 December 2021
NAV (£’000)	**602,664**	577,984
Number of shares used for per share calculations	**322,612,685**	322,539,284
NAV per share (p)	**186.8**	179.2

2) Reconciliation to EPRA measures

a. EPRA NDV	**As at 31 December 2022 £'000**	As at 31 December 2021 £'000
Net assets	**602,664**	577,984
Cumulative unrealised gains on development properties	**33,852**	72,452
Cumulative unrealised gains on overages	**7,500**	3,500
Notional deferred tax on unrealised gains	**(10,171)**	(16,483)
EPRA NDV	**633,845**	637,453

b. EPRA NDV per share (p)	**As at 31 December 2022 £'000**	As at 31 December 2021 £'000
EPRA NDV £’000	**633,845**	637,453
Number of shares used for per share calculations	**322,612,685**	322,539,284
EPRA NDV per share (p)	**196.5**	197.6

c. EPRA NDV growth and Total Return	**As at 31 December 2022 £'000**	As at 31 December 2021 £'000
Opening EPRA NDV/share (p)	**197.6**	160.0
Closing EPRA NDV/share (p)	**196.5**	197.6
Movement in the year (p)	**(1.1)**	37.6
EPRA NDV growth	**(0.6%)**	23.5%
Dividends paid per share (p)	**1.2**	1.8
Total Return per share (p)	**0.1**	39.4
Total Return as a percentage of opening EPRA NDV	**0.1%**	24.6%

d. Net loan to EPRA NDV	**As at 31 December 2022 £'000**	As at 31 December 2021 £'000
Net debt	**(48,395)**	(25,744)
EPRA NDV	**633,845**	637,453
Net loan to EPRA NDV	**7.6%**	4.0%

3. Segment information

Segmental Income Statement — Year ended 31 December 2022

	Capital Growth				
	Sale of development properties	Other property activities	Income Generation	Central	Total
	£'000	£'000	£'000	£'000	£'000
Revenue [(1)]	124,956	10,478	31,251	-	166,685
Cost of sales	(68,099)	(6,305)	(8,888)	-	(83,292)
Gross profit [(2)]	**56,857**	**4,173**	**22,363**	**-**	**83,393**
Administrative expenses	-	(4,123)	(1,877)	(16,090)	(22,090)
Other gains/(losses) [(3)]	-	17,788	(34,549)	-	(16,761)
Other operating expense	-	-	-	(56)	(56)
Operating profit/(loss)	**56,857**	**17,838**	**(14,063)**	**(16,146)**	**44,486**
Finance costs	-	(168)	-	(6,199)	(6,367)
Finance income	-	227	-	-	227
Share of loss of joint ventures	-	(4,317)	(3,170)	-	(7,487)
Profit/(loss) before tax	**56,857**	**13,580**	**(17,233)**	**(22,345)**	**30,859**

[(1)] **Revenue**

Revenue is analysed as follows:

Sale of development properties	124,956	-	-	-	124,956
Revenue from PPAs	-	5,810	-	-	5,810
Build-to-suit development revenue	-	4,215	-	-	4,215
Rent, service charge and royalties revenue	-	426	28,151	-	28,577
Revenue from coal fines	-	-	2,113	-	2,113
Other revenue	-	27	987	-	1,014
	124,956	**10,478**	**31,251**	**-**	**166,685**

[(2)] **Gross profit**

Gross profit is analysed as follows:

Gross profit excluding sales of development properties	-	4,173	22,363	-	26,536
Gross profit on sale of development properties	57,252	-	-	-	57,252
Net realisable value provision on development properties	(7,074)	-	-	-	(7,074)
Reversal of previous net realisable value provision on development properties	5,030	-	-	-	5,030
Release of 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)**

Segmental Balance Sheet **As at 31 December 2022**

	Capital Growth £'000	Income Generation £'000	Central £'000	Total £'000
Non-current assets				
Property, plant and equipment	-	-	600	**600**
Right of use assets	-	-	254	**254**
Other receivables	4,013	-	-	**4,013**
Investment properties	164,533	235,830	-	**400,363**
Investments in joint ventures	16,462	13,366	-	**29,828**
	185,008	**249,196**	**854**	**435,058**
Current assets				
Inventories	216,393	-	-	**216,393**
Trade and other receivables	41,287	14,913	458	**56,658**
AHFS	2,627	57,163	-	**59,790**
Cash and cash equivalents	-	-	11,583	**11,583**
	260,307	**72,076**	**12,041**	**344,424**
Total assets	**445,315**	**321,272**	**12,895**	**779,482**

Financial liabilities and derivative financial instruments are not allocated to the reporting segments as they are managed and measured at a Group level.

Segmental Income Statement **Year ended 31 December 2021**

	Capital Growth				
	Sale of development properties	Other property activities	Income Generation	Central	Total
	£'000	£'000	£'000	£'000	£'000
Revenue [1]	**66,312**	**14,799**	**28,773**	**-**	**109,884**
Cost of sales	(49,903)	(3,169)	(8,113)	-	**(61,185)**
Gross profit [2]	**16,409**	**11,630**	**20,660**	**-**	**48,699**
Administrative expenses	-	(3,365)	(2,130)	(13,707)	**(19,202)**
Other gains/(losses) [3]	-	57,483	35,005	-	**92,488**
Other operating expense	-	-	-	(58)	**(58)**
Operating profit/(loss)	**16,409**	**65,748**	**53,535**	**(13,765)**	**121,927**
Finance costs	-	-	-	(4,100)	**(4,100)**
Finance income	-	172	-	10	**182**
Share of profit of joint ventures	-	4,524	4,701	-	**9,225**
Profit/(loss) before tax	**16,409**	**70,444**	**58,236**	**(17,855)**	**127,234**

[1] Revenue

Revenue is analysed as follows:

Sale of development properties	66,312	-	-	-	66,312
Build-to-suit development revenue	-	2,544	-	-	2,544
Rent, service charge and royalties revenue	-	242	26,383	-	26,625
Revenue from coal fines	-	-	622	-	622
Other revenue	-	12,013	1,768	-	13,781
	66,312	**14,799**	**28,773**	**-**	**109,884**

[2] Gross profit

Gross profit is analysed as follows:

Gross profit excluding sales of development properties	-	11,630	20,660	-	32,290
Gross profit on sale of development properties	11,223	-	-	-	11,223
Net realisable value provision on development properties	(1,574)	-	-	-	(1,574)
Reversal of previous net realisable value provision on development properties	4,393	-	-	-	4,393
Release of net realisable value provision on disposal of development properties	2,367	-	-	-	2,367
	16,409	**11,630**	**20,660**	**-**	**48,699**

[3] Other gains/(losses)

Other gains/(losses) are analysed as follows:

Increase in fair value of investment properties	-	55,220	28,741	-	83,961
Increase in the fair value of assets held for sale	-	364	714	-	1,078
Profit/(loss) on sale of investment properties	-	1,871	(47)	-	1,824
Profit on sale of AHFS	-	28	5,597	-	5,625
	-	**57,483**	**35,005**	**-**	**92,488**

Segmental Balance Sheet **As at 31 December 2021**

	Capital Growth £'000	Income Generation £'000	Central £'000	Total £'000
Non-current assets				
Property, plant and equipment	-	-	681	**681**
Right of use assets	-	-	94	**94**
Other receivables	4,285	1,084	-	**5,369**
Investment properties	182,666	295,689	-	**478,355**
Investments in joint ventures	18,929	17,202	-	**36,131**
	205,880	**313,975**	**775**	**520,630**
Current assets				
Inventories	177,720	102	-	**177,822**
Trade and other receivables	35,737	13,665	353	**49,755**
AHFS	1,925	-	-	**1,925**
Cash and cash equivalents	-	-	12,037	**12,037**
	215,382	**13,767**	**12,390**	**241,539**
Total assets	**421,262**	**327,742**	**13,165**	**762,169**

Financial liabilities and derivative financial instruments are not allocated to the reporting segments as they are managed and measured at a Group level.

4. Finance costs and finance income

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Finance costs		
– Bank interest	(2,206)	(2,795)
– Facility fees	(1,791)	(745)
– Amortisation of up-front fees	(685)	(362)
– Acceleration of amortisation of up-front fees following extinguishment of Facility	(599)	-
– Other interest	(1,086)	(198)
Total finance costs	**(6,367)**	(4,100)
Finance income	**227**	182
Net finance costs	**(6,140)**	(3,918)

5. Tax

Analysis of tax (charge)/credit in the year	**Year ended 31 December 2022 £'000**	Year ended 31 December 2021 £'000
Current tax		
Current year	(21,650)	(6,747)
Adjustment in respect of prior periods	(118)	372
Total current tax charge	**(21,768)**	(6,375)
Deferred tax		
Current year	13,504	(15,974)
Adjustment in respect of prior periods	409	(162)
Difference between current tax rate and rate of deferred tax	4,834	(10,733)
Total deferred tax credit/(charge)	18,747	(26,869)
Tax charge	**(3,021)**	(33,244)

Other comprehensive income items		
Deferred tax – current year	(101)	(137)
Total	**(101)**	(137)

The tax charge for the year is lower (2021: higher) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Profit before tax	**30,859**	127,234
Profit before tax multiplied by rate of corporation tax in the UK of 19% (2021: 19%)	(5,863)	(24,174)
Effects of:		
Adjustments in respect of prior periods- deferred taxation	409	(162)
Adjustments in respect of prior periods- current taxation	(118)	372
Expenses not deducted for tax purposes	(127)	(291)
Revaluation (losses)/gains	(755)	68
Share of (loss)/profit of joint ventures	(1,423)	1,753
Difference between current tax rate and rate of deferred tax	4,834	(10,733)
Share options	22	(77)
Total tax charge	**(3,021)**	(33,244)

The difference between current tax rate and rate of deferred tax of £4.8m (2021: £10.7m) relates to the unwind of balances previously recognised at 25% and the reduction of the deferred tax liabilities recognised at 25% as a result of in year movements. The 2021 reconciling item of £10.7m is reflective of the enacted rate change from 19% to 25%.

At 31 December 2022, the Group had a current tax liability of £7.0m (2021: £2.9m).

The Company has recognised a current tax asset in 2022 of £0.5m (2021: £nil).

Deferred tax

The following is the analysis of deferred tax liabilities presented in the consolidated balance sheet:

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Deferred tax liabilities	(25,980)	(46,988)
Deferred tax assets	1,839	4,341
	(24,141)	(42,647)

The movements on the deferred tax account were as follows:

	Investment properties £'000	Tax losses £'000	Other temporary differences	Total £'000
At 1 January 2021	(23,159)	5,774	1,618	(15,767)
Recognised in the consolidated income statement	(23,829)	(3,216)	176	(26,869)
Recognised in the consolidated statement of comprehensive income	-	-	(137)	(137)
Recognised in the consolidated statement of equity	-	-	126	126
At 31 December 2021 and 1 January 2022	(46,988)	2,558	1,783	(42,647)
Recognised in the consolidated income statement	21,008	(2,558)	297	18,747
Recognised in the consolidated statement of comprehensive income	-	-	(101)	(101)
Recognised in the consolidated statement of equity	-	-	(140)	(140)
At 31 December 2022	**(25,980)**	**-**	**1,839**	**(24,141)**

There is deferred tax on UK corporation tax losses carried forward of £nil (2021: £2.6m).

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

Deferred tax assets and liabilities are offset when there is a legally enforced right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Deferred tax assets of £8.1m at 31 December 2022 (2021: £5.3m) have not been recognised owing to the uncertainty as to their recoverability.

The Company has recognised a deferred tax asset in 2022 of £0.1m (2021: £0.2m).

6. Dividends

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Interim dividend of 0.404p per share for the six months ended 30 June 2022	1,305	-
Final dividend of 0.845p per share for the year ended 31 December 2021	2,727	-
Interim dividend of 0.367p per share for the six months ended 30 June 2021	-	1,184
Final dividend of 1.466p per share for the year ended 31 December 2020	-	4,729
	4,032	5,913

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

The 2020 final dividend was increased to reflect the cancelled final 2019 dividend excluding which, the 2020 dividend totalled 1.102p per share.

There is no change to the current dividend policy to continue to grow dividends by 10% each year.

7. Earnings per share

Earnings per share has been calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of shares in issue and ranking for dividend during the year.

	Year ended 31 December 2022	Year ended 31 December 2021
Profit from continuing operations attributable to owners of the Company (£'000)	**27,838**	93,990
Weighted average number of shares used for basic earnings per share calculation	**322,571,783**	322,493,443
Basic earnings per share (pence)	**8.6**	29.1
Weighted average number of shares used for diluted earnings per share calculation	**326,317,353**	325,059,137
Diluted earnings per share (pence)	**8.5**	28.9

The difference between the weighted average number of shares used for the basic and diluted earnings per share calculation is due to the effect of share options that are dilutive.

8. Investment properties

Investment properties at 31 December 2022 and 31 December 2021 have been measured at fair value. The Group holds five categories of investment property, being Agricultural Land, Natural Resources, the Investment Portfolio, Major Developments and Strategic Land in the UK, which sit within the operating segments of Income Generation and Capital Growth.

	Income Generation			Capital Growth		
	Agricultural Land £'000	**Natural Resources £'000**	**Investment Portfolio £'000**	**Major Developments £'000**	**Strategic Land £'000**	**Total £'000**
At 1 January 2021	**6,135**	**33,098**	**214,906**	**27,550**	**91,390**	**373,079**
Direct acquisitions	-	-	13,502	-	14,274	27,776
Subsequent expenditure	12	239	1,988	8,956	6,877	18,072
Disposals	-	-	(2,497)	(11,207)	(986)	(14,690)
(Decrease)/Increase in fair value	(151)	(1,912)	30,804	21,609	33,611	83,961
Transfers between divisions	115	-	6,101	(6,626)	410	-
Net transfers from development properties	-	-	-	5,711	(5,000)	711
Net transfer to AHFS	(699)	(874)	(5,078)	(509)	(3,394)	(10,554)
At 31 December 2021	**5,412**	**30,551**	**259,726**	**45,483**	**137,183**	**478,355**
Direct acquisitions	-	-	-	-	11,863	11,863
Subsequent expenditure	-	12	2,822	40,928	9,344	53,106
Disposals	-	(860)	-	-	-	(860)
Increase/(decrease) in fair value	282	(163)	(37,802)	(5,357)	23,315	(19,725)
Transfers between divisions	-	-	42,250	(42,250)	-	-
Net transfers from/(to) development properties	-	-	-	5,440	(60,513)	(55,073)
Net transfer to AHFS	-	(9,814)	(56,589)	-	(900)	(67,303)
At 31 December 2022	**5,694**	**19,726**	**210,407**	**44,244**	**120,292**	**400,363**

Subsequent expenditure is recorded net of government grant receipts of £0.9m (2021: £nil).

During the year £5.4m (2021: £5.7m) of development property was re-categorised as investment property to reflect a change in use. During the year £60.5m (2021: £5.0m) of investment property was re-categorised to development properties.

Investment property is transferred between divisions to reflect a change in the activity arising from the asset.

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 at 31 December 2022 and 31 December 2021. 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.

At each financial year end, management:
- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

The Directors determine the applicable hierarchy that each investment property falls into by assessing the level of unobservable inputs used in the valuation technique. As a result of the specific nature of each investment property, valuation inputs are not based on directly observable market data and therefore all investment properties were determined to fall into Level 3.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the date of the event or change in circumstance that caused the transfer. There were no transfers between hierarchy levels in the year ended 31 December 2022 (2021: none).

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 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. In the past, income acquisitions have been made at high yields where value can be added. As assets are enhanced and improved, these would also be expected to be valued at lower yields. Subject to market backdrop, properties that are built by Harworth will be modern Grade A with typically lower yields.

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.

Strategic land

Strategic land is valued on the basis of discounted cash flow, with future cash flows measured by current land values adjusted to reflect the quality of the development opportunity, the potential development costs estimated by reference to observable development costs on comparable sites, and the likelihood of securing planning consent. The valuations are then benchmarked against observable land values reflecting the current existing use of the land, which is generally agricultural and, where available, observable strategic land values. The discounted cash flows across the different property categories utilise value per acre, which takes account of the future expectations of sales over time discounted back to a current value, and cost report totals, which take account of the cost, as at today's value, to complete remediation and provide the necessary site infrastructure to bring the site forward.

9. Investment in joint ventures

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
At start of year	36,131	25,316
Investment in joint ventures	1,849	1,624
Distributions from joint ventures	(665)	(34)
Share of (loss)/profit of joint ventures	(7,487)	9,853
Impairment	-	(628)
At end of year	**29,828**	36,131

10. Inventories

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Development properties	204,952	172,701
Planning promotion agreements	2,994	3,865
Option agreements	8,447	1,154
Finished goods	-	102
Total inventories	**216,393**	177,822

The movement in development properties is as follows:

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
At start of year	172,701	177,712
Acquisitions	-	40
Subsequent expenditure	35,430	29,482
Disposals	(57,857)	(39,008)
Net realisable value provision release	(395)	5,186
Re-categorisation from/(to) investment properties	55,073	(711)
At end of year	**204,952**	172,701

Subsequent expenditure is recorded net of government grant receipts of £2.7m (2021: £1.9m)

The movement in net realisable value provision was as follows:

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
At start of year	12,154	17,340
Charge for the year	7,074	1,574
Reversal of previous net realisable value provision	(5,030)	(4,393)
Released on disposal	(1,649)	(2,367)
Released on transfer to investment property	(2,773)	-
At end of year	**9,776**	12,154

11. Assets held for sale

AHFS relate to investment properties identified as being for sale within 12 months, where a sale is considered highly probable and the property is immediately available for sale.

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
At start of year	1,925	7,594
Net transfer from investment properties	67,303	10,554
Subsequent expenditure	1	1
(Decrease)/increase in fair value	(199)	1,078
Disposals	(9,240)	(17,302)
At end of year	**59,790**	1,925

12. Cash

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Cash	**11,583**	12,037

13. Borrowings

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Current:		
Secured – infrastructure loans and direct development loans	(3,067)	-
	(3,067)	-
Non-current:		
Secured – bank loans	(34,558)	(33,318)
Secured – infrastructure loans and direct development loans	(22,353)	(4,463)
	(56,911)	(37,781)
Total borrowings	**(59,978)**	(37,781)

Loans are stated after deduction of unamortised fees of £2.0m (2021: £1.2m).

		As at 31 December 2022 £'000	As at 31 December 2021 £'000
Infrastructure loans			
Scrudf Limited Partnership	Rockingham	(1,413)	-
Merseyside Pension Fund	Bardon Hill	(20,940)	(1,572)
North West Evergreen Limited Partnership	Plot H Logistics North, Bolton	(3,067)	(2,891)
Total infrastructure loans		**(25,420)**	(4,463)
Bank loans		**(34,558)**	(33,318)
Total borrowings		**(59,978)**	(37,781)

In March 2022, the Group entered into a new five year £200m RCF, with a £40m uncommitted accordion option, which replaced the previous RCF which had been in place since 2015. NatWest and Santander continue to provide bank borrowings in this new RCF and have been joined by HSBC.

The RCF is subject to financial and other covenants. The bank borrowings are secured by way of a floating debenture over assets not otherwise used as security under specific infrastructure loans. Proceeds from and repayments of bank loans are reflected gross in the Consolidated Statement of Cash Flows and reflect timing of utilisation of the RCF.

The infrastructure loans are provided by public bodies in order to promote the development of major sites. The loans are drawn as work on the respective sites is progressed and they are repaid on agreed dates or when disposals are made from the sites.

14. Share capital

Issued, authorised and fully paid

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
At start of year	32,272	32,253
Shares issued	33	19
At end of year	**32,305**	32,272

Issued, authorised and fully paid – number of shares

	As at 31 December 2022	As at 31 December 2021
At start of year	322,724,566	322,530,807
Shares issued	326,558	193,759
At end of year	**323,051,124**	322,724,566
Own shares held	(438,439)	(185,282)
At end of year	**322,612,685**	322,539,284

15. Related party transactions

The Group carried out the following transactions with related parties. The following entities are related parties as a consequence of shareholdings, joint venture arrangements and partners of such and/or common Directorships. All related party transactions are clearly justified and beneficial to the Group, are undertaken on an arm's-length basis on fully commercial terms and in the normal course of business.

	Year ended/as at 31 December 2022 £000	Year ended/as at 31 December 2021 £000
PEEL GROUP		
Sales		
Disposal proceeds at Logistics North	-	2,019
Additions		
Reimbursement of technical due diligence	-	91
Receivables		
Deferred consideration for land at Logistics North	-	200
MULTIPLY LOGISTICS NORTH HOLDINGS LIMITED & MULTIPLY LOGISTICS NORTH LP		
Sales		
Recharges of costs	-	136
Asset management fee	145	271
Water charges	113	107
Receivables		
Trade receivables	-	66
GENUIT GROUP (FORMERLY POLYPIPE)		
Sales		
Rent	20	25
Receivables		
Trade receivables	6	6
THE AIRE VALLEY LAND LLP		
Receivable	26	26
CRIMEA LAND MANSFIELD LLP		
Partner loan repayment	-	(30)
Receivable	9	-
NORTHERN GATEWAY DEVELOPMENT VEHICLE LLP		
Investment in the year	1,849	1,003

Receivable	-	25
INVESTMENT PROPERTY FORUM		
Purchases	1	-
BANKS GROUP*		
Sales		
Annual option sums	-	5
BATES REGENERATION LIMITED*		
Shareholder loan repayment	-	(4)

* Banks Group and Bates Regeneration Limited ceased to be related parties in October 2021.

16. Post balance sheet events

There are no post balance sheet events to disclose that have not been disclosed publicly by a regulatory news announcement.