

Chairman's statement



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Simon Bennett
Chairman

Introduction

Inland Homes started the financial year with cautious optimism and finished the financial year strongly. The Group generates income from multiple sources and this flexibility enabled Inland Homes to move decisively and quickly to meet the challenges presented by both the COVID-19 pandemic and the changing market conditions.

It has been a year of tangible progress in the delivery of the Group's strategic objectives. One of the priorities has been to reduce net debt and I am therefore pleased to be able to report that the Group was successful in achieving a 20.3% reduction, whilst simultaneously extending the maturity of Inland Homes' borrowing facilities. Further progress has also been made in maximising the value of the Group's excellent land bank, growing the asset management division and sustaining the demand for Inland Homes' high-quality, affordably priced homes.

Financial and operational highlights

The heart of the Group's business is land, and both the land trading and asset management businesses performed well. Inland Homes delivered record revenue for the year ended 30 September 2021 of £181.7m (30 September 2020: £124.0m), an increase of 46.5% over the previous year. The Government has continued to support the UK housing market and, excluding joint ventures, the Group sold 216 new homes (30 September 2020: 96). The average selling price of our new homes increased to £262,000 (30 September 2020: £240,000), as buyers took advantage of the relaxation of the Stamp Duty Land Tax and the Help to Buy scheme.

The asset management business, which enables Inland Homes to leverage the expertise, experience and skills within the Group, has had another good year. The Group now has six projects with the potential to deliver approximately 3,300 new homes. Management

£13.2m

Profit before tax

2020: £3.4m

fees earned on these projects during the year increased by 13.9% to £27.8m (30 September 2020: £24.4m) and delivered very healthy gross profits.

The Group continues to see increased demand from Build to Rent (BtR) operators, looking for a turn-key solution to their housing requirements. As a result, the contract income from our partnership housing activities, undertaken by Inland Partnerships, grew substantially, with turnover increasing by 16.4% to £60.3m (30 September 2020: £51.8m). Inland Partnerships also continued to win new contracts and its forward order book, including two build contracts at our site in Walthamstow worth £131.3m, increased by 55.7% to £164.7m (30 September 2020: £105.8m).

Buoyed by increased demand, the housebuilding division reported significantly increased turnover of £69.9m (30 September 2020: £23.8m), including the sale of a hotel earlier in the financial year for £13.3m. The margins of both the partnership housing and housebuilding divisions were adversely affected by unforeseen costs, cost inflation and extended construction periods and whilst the Group has taken a number of steps to remedy this situation, these factors will continue to affect margins in the current financial year. Since the financial year end, one of our subcontractors has gone into administration which has cost the Group approximately £0.3m.

As a result of the reduction in net debt, the Group's net interest costs have fallen to £7.8m (30 September 2020: £8.4m). The Group has continued to manage overheads effectively and administrative expenses have reduced by 40.5% to £7.5m (30 September 2020: £12.6m). The Group's profit before tax was substantially ahead of the previous financial year and amounted to £13.2m (30 September 2020: £3.4m). The Board does not intend to recommend a dividend (30 September 2020: nil).

Group net assets at 30 September 2021 increased to £183.0m (30 September 2020: £173.0m). Net asset value per ordinary share increased to 80.10p (30 September 2020: 76.31p) and the EPRA net tangible assets per ordinary share increased to 107.84p (30 September 2020: 103.75p).

Land portfolio

The strong sales performance of the Group is reflected in the estimated gross development value (GDV) of the land portfolio, which at 30 September 2021 is now £3.0bn (30 September 2020: £3.1bn).

This portfolio consists of an aggregate of 10,055 plots (30 September 2020: 11,045 plots), 3,689 of which now have planning consent (30 September 2020: 2,470 plots).

Inland Homes has a proud record of delivering planning consents and during the year, the Group achieved a resolution to grant planning or obtained full planning approval for 1,831 new homes (30 September 2020: 112 new homes). In October 2021, planning consent was achieved at the Group's Gardiners Park Village development in Basildon, following receipt of the resolution to grant planning permission, announced in May 2021. The estimated GDV of the site, which is being developed in conjunction with Homes England, is £200m and will include 700 new homes, commercial space, a new school and other community facilities.

Inland Homes has also recently obtained a resolution to grant planning permission, subject to the signing of a Section 106 agreement, for a mixed-use scheme of 380 new homes, including 103 affordable homes and commercial space in Dagenham Dock, Dagenham. This strategically important site in the Borough will provide a new gateway to the area and act as a catalyst for the regeneration of South Dagenham.

Work at the Group's flagship development at Wilton Park, Beaconsfield continues, with Phases 2 and 3, comprising 90 plots, having been sold during the year to the specialist, high-quality developer Bewley Homes. In addition, a total of 10 houses, which were originally acquired with the site and were formerly let to the Ministry of Defence service personnel, have been completely renovated and sold, for a total consideration of £6.7m.

At Cheshunt Lakeside, Cheshunt, construction of the first 195 homes on behalf of a local housing association is progressing well. The first homes will be handed over in the first half of 2022 and the remainder before the end of the calendar year. We received reserved matters approval for 22 homes and 350sqm of commercial space in Parcel 14, which forms part of Phase 1C, in March 2021 and for Phase 1B, comprising 205 homes, in June 2021. The 22 homes will be offered for private sale. We are at advanced negotiations with a major BtR fund for the development of the 205 homes within Phase 1B.

The Group also concluded the sale of a 105-bedroom hotel at the Wessex Hotel site in Bournemouth, pre let to Premier Inn, to Aviva for £13.3m. At 30 September 2021, 64 of the 94 apartments at the same site had been sold, realising in aggregate proceeds of £18.7m (30 September 2020: £nil).

The Group's nine-acre regeneration project on a former derelict brownfield site at Chapel Riverside, Southampton, will deliver, on a phased basis, 520 new one, two, and three-bedroom homes and 5,945sqm of commercial space. The site has required extensive remediation and civil engineering works. Between 1 October 2020 and 30 September 2021, 93 apartments were sold (including 24 units within a bulk sale), with sales proceeds of £20.7m (30 September 2020: £9.1m).



£181.7m

Revenue

2020: £124.0m

Asset management

Investors in projects within the Group's asset management division benefit from Inland Homes' expertise and experience in identifying and securing attractive, viable sites and achieving planning consent on these. The capital-light nature of this funding model, together with the management fees earned at various milestones of the project (including the successful gaining of planning permission), enable the Group to generate attractive and significant returns.

The asset management activity benefits Inland Homes in a number of ways: it optimises the planning expertise within the Group; it significantly reduces the capital investment and it enables Inland Homes to earn management fees as the various defined milestones are achieved. The capital required for these projects is sourced from external investors, who earn a priority return on the capital invested typically on a fixed coupon rate. One of the principal risks for the



Abbey Wharf,
Alperton



Read more about [partnership housebuilding](#) on pages 36-37



Read more about [asset management](#) on pages 40-41

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Group with these projects is delays to the anticipated timetable. Typically, these transactions are structured so that any debt incurred is generally non-recourse to the Group.

One of the Group's strategic aims was to grow this division, which now has six projects, the largest being the 36.7-acre site Cavalry Barracks in Hounslow, with an estimated GDV of £600m. Inland Homes has submitted a planning application and we currently understand that a decision on planning permission will be made in 2022.

During the year, the Group achieved planning consent for two projects within the asset management division: for 514 homes at Hillingdon Gardens, Hillingdon and 583 homes at Patchworks in Walthamstow.

The sale of 228 plots within the Walthamstow site to the charitable housing association, Newlon Housing Trust, for a consideration of £22.5m was announced in October 2021 and these houses will be built by the Group, the contract value being £42.4m. In addition, Inland Homes arranged the disposal strategy for the sale of 355 residential plots (173 completed and 182 due to complete by September 2022) at the same site to London BTR Investments (London BTR), one of the leading providers of BtR housing. Inland Partnerships

has secured the contract to build these homes, in what is the largest partnership housing contract secured by the Group to date, with a value of £88.9m.

Strategic objectives

The Group continues to deliver on its strategic objectives, namely: reducing net debt, optimising the returns from the land bank and maximising its value, growing the capital light asset management business and delivering high-quality homes which meet the market's needs. Inland Homes is well placed to deliver further progress on these strategic objectives and I look forward to reporting on this progress in the coming year.

Dividend

As referred to above, one of the key strategic aims for Inland Homes has been to reduce the Group's net debt. A significant step towards this objective has been achieved this year. Further reductions of Group net debt remains a priority and subject to the timing of the grant of planning permission(s), land sales and receipt of management fees receivable, we presently expect to report a further significant reduction in net debt in the coming financial year. The Board will look to resume the payment of dividends as soon as this strategic aim has been achieved.



Templar Green,
Cressing

Environmental, Social and Governance

Inland Homes is committed to ensuring that its land, housebuilding and partnership housing activities leave a positive and lasting legacy. As specialists in complex brownfield site regeneration, the Group has a proud history of adding value and applying its expertise in land remediation, to allow the Group to take derelict land and regenerate it into new, thriving and sustainable communities which people are proud to call home.

Inland has an excellent reputation in brownfield site regeneration and this year the Group has made a commitment to embed sustainability within all areas of the business. It has created an Environmental, Social and Governance (ESG) framework that sets high-level commitments and targets, including targets for achieving carbon net zero by 2050.

In recognition of the importance of ESG considerations and in line with our commitment to embed sustainability across all areas of the business, a Governance and Risk Committee has been created to provide a focal point for the coordination of risk management activity across the Group. The focus of this Committee is to ensure that Inland Homes maintains an appropriate level of risk in achieving its corporate objectives.

I look forward to reporting on the Group's progress in each of the three areas in the year ahead.

Engaging with our stakeholders

Stakeholder engagement is a critical part of the Board's role and the Board takes into account the views of stakeholders in determining its agenda. As the Government's COVID-19 restrictions were eased in the second half of the financial year, the Board was able to resume its normal site visits, holding productive meetings with stakeholders at a number of the Group's sites.

I have also made it my priority, in my first year as Chairman, to visit the Group's key construction sites on a regular basis and have enjoyed meeting with Inland Homes' Operational Board and staff, to gain further insight into the challenges and opportunities they face. The health and safety of our staff, customers, suppliers and subcontractors remains a key priority for the Group. Inland Homes is a flexible business and so are its staff. I would like to take this opportunity to thank them all for their support, hard work and commitment during the course of this financial year.

107.84p
EPRA NTA per share

2020: 103.75p

Our 2020 Annual General Meeting (AGM) was held virtually to ensure compliance with the Government's COVID-19 health restrictions in place at that time; however, we were keen to ensure that our shareholders had the opportunity to raise any questions ahead of the meeting. A designated email address allowed our shareholders to pose questions relating to the business to be transacted at the AGM. Each query was responded to on an individual basis. The arrangements for this year's AGM are set out below.

There is more information about how we engage with our stakeholders and how their priorities impact on the Board's decision-making on pages 65–68.

AGM

I am pleased to be able to announce that our 2021 AGM will be held on 21 March 2022 at 11 am. We recognise the importance of engaging with investors face to face and will endeavour, if at all possible, to hold this AGM in person. However, a final decision will be made closer to the date, based on the Government's COVID-19 guidelines and any other public health restrictions in place at that time. The Notice of AGM will be sent to all shareholders in February 2022 and will provide further details.

Changes to the Board

In March 2021, we were pleased to welcome Carol Duncumb to the Board. An experienced Non-executive Director with a 35-year track record of brand-building experience across a range of consumer-related businesses, Carol brings a strong skillset and perspective to the Board.

Having been on the Board at Inland Homes since 2007, I was delighted to accept the position of Chairman of the Board in March 2021, replacing Terry Roydon who, after 14 years with the Group, decided not to seek re-election at the 2021 AGM. We would like to place on record our thanks to Terry for his contribution to the Group over the years.

The Board is committed to upholding the principles of good and sound governance as set out in the Quoted Companies Alliance (QCA) Corporate Governance Code, the Group's chosen Code.

Looking ahead

This has been a year of tangible progress for the Group in achieving its strategic objectives. We continue to work on initiatives to reduce net gearing, to crystallise value from our land bank and to drive returns for shareholders.

The Group is therefore maintaining its focus on reducing its net debt and supporting the growth of both the more capital-light asset management and partnership housing divisions to deliver sustainable long-term growth.

I look forward to seeing the Group build on its strong performance this year, in the year ahead.

Simon Bennett
Chairman

31 January 2022