

Chief Executive's review



“ Land is at the heart of all that we do as a Group and these results reflect the resilience and flexibility of Inland's unique business model.”

Stephen Wicks
Chief Executive
Officer

I am pleased to present our results for the year ended 30 September 2021 which set out how we are delivering on our strategy of maximising the value of our land bank and reducing the Group's net debt.

Land is at the heart of all that we do as a Group and these results reflect the resilience and flexibility of Inland's unique business model. We have responded well to the rapidly changing market conditions in the past year and our success is underpinned by a land portfolio which provides opportunities in the short, medium and long term.

Over the course of this financial year, we have witnessed sustained demand from investors, Build to Rent (BtR) operators, registered providers and housebuilders for our land, for the services the Group provides and the quality new homes we build for our customers. We are well positioned to make further progress in the year ahead.

Our performance

Optimising the returns from our valuable land portfolio

Inland Homes' valuable land portfolio is the foundation on which our success is built. We have a highly experienced and talented team, skilled in identifying and procuring attractive and viable land opportunities and in achieving planning consent.

The estimated gross development value (GDV) of the land portfolio now stands at £3.0bn (30 September 2020: £3.1bn) and consists of 10,055 plots (30 September 2020: 11,045 plots). Of these 3,689 have planning consent (30 September 2020: 2,470). A further 2,870 plots are within the Group's strategic land sites (30 September 2020: 2,795), the majority

£3.0bn
Land portfolio GDV

2020: £3.1bn

of which are held by way of discount to market value options. The slight reduction to the number of plots in the land bank this year is in line with the Group's strategy, which is focused on reducing net gearing and crystallising value from within the existing portfolio.

We have maintained our strong track record in delivering planning approvals, achieving a resolution to grant or full planning approval for 1,831 new homes during the period (30 September 2020: 112). This includes approval for 700 homes at Gardiners Park Village, Basildon, 583 homes at the former Homebase site in Walthamstow and 514 homes at Hillingdon Gardens, Hillingdon. The schemes at Walthamstow and Hillingdon are both projects within our asset management division.

The dismissal in December 2021 of the London Borough of Hillingdon's application to seek a judicial review of the Mayor of London's approval at Hillingdon Gardens cleared the final obstacle in the way of its development. Consent has taken over three years to be validated and has been extremely difficult to achieve. While it is very disappointing that it should be such a long and torturous process to develop on an allocated brownfield site in a highly sustainable location, we can now press ahead with delivery of these much-needed homes.

Planning consent at Gardiners Park Village, Basildon was granted in October 2021, following a resolution to grant earlier in the year. This 54-acre site will deliver up to 700 new homes, together with 25,000sqm of commercial space, a new school and other community facilities. The development is being delivered in partnership with Homes England and more than 30% of the new homes will provide much needed affordable housing for the local community. The estimated GDV of the site is in excess of £200m and construction of the first phase of 74 new homes is anticipated to commence in 2022.

The Group has also recently announced a resolution to grant planning permission, subject to the signing of a Section 106 agreement, for a mixed-use scheme including 380 new homes and commercial space in South Dagenham.

Grow the capital-light asset management division

Our asset management business continues to produce excellent results. This business enables



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the Group to leverage the expertise, experience and core competencies in brownfield site acquisition, remediation, planning and construction within the Group on behalf of external investors. The management fees earned on the active projects were significantly ahead of the comparative period and amounted to £27.8m (30 September 2020: £24.4m), with significant gross profits.

We now have six projects within our asset management division, which combined have the potential to deliver approximately 3,300 new homes. We received approval for 1,097 of these homes during the period and have submitted application for a further 2,199 homes. This includes an application for 1,629 homes on the former Ministry of Defence 36.7-acre Cavalry Barracks site in Hounslow, one of the largest brownfield sites in London with an estimated GDV of £600m. It is currently anticipated that a decision on planning permission will be made in 2022.

Having secured planning permission at the former Homebase in Walthamstow in April 2021, we were delighted to exchange contracts with London BTR Investment Holdings, one of the leading providers of Build to Rent (BtR) housing, for 355 homes within the site in June 2021. We secured the sale of the remaining 228 homes to the housing association Newlon Housing Trust in September 2021. The combined value of both these sales was £50.1m. The new homes on this site will be built by Inland Partnerships, with the contracts being valued at £88.9m and £42.4m respectively, the former being the largest partnership housing contract that the Group has secured to date. Following site demolition and other preparatory works, construction has just started on the project and we expect the works to be completed in 2025.

Maximise the value of land beyond planning consent

Our flexible business model enables us to maximise the value of land on receipt of planning consent. We then make a decision to sell, build or partner with others, based on our assessment of which activity will deliver the highest returns, subject to the overriding cash requirements of the Group.

As at 30 September 2021, the Group had 1,547 homes under construction (30 September 2020: 1,717). Of these, 1,257 are being built on behalf of affordable housing providers and BtR operators (30 September 2020: 1,302).

Land sales

At present, the market for consented land is particularly strong in the areas in which Inland Homes operates.

We continue to monetise the Group's flagship development at Wilton Park, Beaconsfield. During the year, a further 90 plots were sold, which form Phases 2 and 3 of the overall development, to the high-quality housebuilder Bewley Homes. I am pleased with the progress being made at Wilton Park and enjoyed visiting the Bewley show homes when they opened in January 2022.

Partnership housing

Our partners recognise the Group's ability to add value across all stages of a project and we continue to focus our efforts on growing this part of the Group's business, as it achieves both immediate land sales for the Group and regular revenue throughout the construction process thereafter. The Group continues to see growing demand from BtR operators, looking for turn-key solutions to growing their housing portfolios. As a result, our partnership housing division continues to grow from strength to strength, with the forward order book increasing now to a record £164.7m at the year end (30 September 2020: £105.8m). As outlined above, Inland Partnerships secured two build contracts at Walthamstow totalling £131.3m.

We have delivered on behalf of the Group's BtR partners this year, completing the first of our BtR contracts in March 2021, comprising 123 homes and amenity space at our Centre Square joint venture in High Wycombe. We will complete construction of the 85 units at Buckingham House, High Wycombe on behalf of a second BtR operator in the first half of 2022.

We are at advanced negotiations with another major BtR fund for the development of the next phase of 205 plots at the Group's joint venture development at Cheshunt Lakeside, Cheshunt where we have masterplan consent for 1,725 new homes, commercial space and other community amenities. The Group sold the first phase of this scheme to an affordable housing provider last year and is now constructing the 195 new homes on its behalf, with the first homes set to be delivered in June 2022 and the remainder before the end of the calendar year.

Since the year end, the Group has made further progress in partnership housing, announcing in November 2021 the forward sale of the final phase of the Group's development at Carters Quay, in Poole, to the Bournemouth, Christchurch and Poole (BCP) Council. This last phase of the development will provide 161 new homes and 750sqm of commercial space. The Group will build the new homes on behalf of BCP in a development with a contract value of £43.5m. The site is ready for construction and piling works are set to commence in April 2022, with build completion anticipated by the end of 2024.

The Carters Quay development is an example of Inland Homes' business model and skill set in action. The Group originally acquired the brownfield land site, formerly the Pilkington Tile Factory, and worked with BCP on a long-term basis to regenerate an old, unused industrial site, to create much needed new homes and commercial space. To date, Inland Homes has completed three phases of this development, which has already provided 165 new homes.

Private housebuilding

Revenue from our private housebuilding activity this year has been exceptionally strong, with revenue of £69.9m, including the £13.3m sale of the 105-bedroom hotel in Bournemouth, (30 September 2020: £23.8m). The Group achieved 216 private home completions (30 September 2020: 96) equating to a weekly net reservation rate per active sales outlet of 1.09 (30 September 2020: 0.65). The average selling price

was £262,000 (30 September 2020: £240,000) and nearly half (45%) of all buyers were able to access the Government's Help to Buy product. Sales of a further 167 new homes (30 September 2020: 130) were achieved across our sites which are in joint ventures.

The temporary stamp duty holiday provided welcome support during the turbulent period of COVID-19 lockdowns and Government restrictions. I am pleased to report that since the scheme tapered off with effect from July 2021, the demand for our high-quality, award-winning homes has continued to be strong. During the year, we sold a significant number of new homes at the Group's developments at Chapel Riverside and Meridian Waterside in Southampton, new apartments at our Wessex Hotel site in Bournemouth and at Exclusive House, Maidenhead.

We were very pleased to win a number of prestigious industry awards during the reporting period, including 'Private Developer of the Year' at the First Time Buyer Readers' Awards, the WhatHouse? Gold Award for Best Regeneration scheme and 'Best UK Mixed Use Development' at the International Property Awards.

Our people

The health and safety of our staff, suppliers and sub-contractors continues to be our primary focus for the Group. The team responded well to the difficulties posed by the COVID-19 pandemic and construction at almost all sites has continued throughout. Inland Homes has a talented, experienced and agile workforce and I would like to thank them all for their contributions to the business during this financial year.

Embedding sustainability within all areas of our business

Sustainability is a key focus for the Group. This year we have developed our Environmental, Social and Governance (ESG) framework, bringing together high-level commitments in each area, together with targets to reach carbon net zero as a core priority.

Our commitment is to embed sustainability within all areas of the Group's business. The Board is providing oversight and setting leadership of this through its Risk and Governance Committee and at an operational level, we have created cross-departmental working groups to develop the full ESG strategy.

Cladding and fire safety

We make no compromises on safety and the safety of our buildings and the people who live in them is our number one priority.

In the wake of the Grenfell Tower tragedy, we proactively carried out a comprehensive review which confirmed that Aluminium Composite Material (ACM) cladding has not been used on any Inland home or building. This includes both the homes we have built and those where third parties have constructed the homes on our behalf.

We are aware that some remedial work related to fire safety has been proposed at one historic development which is owned by a third party, and we are currently liaising with the property's managing agent and subcontractor to review what, if any, works are required.



Government policy

The Government committed £1.8bn in the 2021 Budget to support brownfield site regeneration. Building on brownfield land is the common-sense approach to alleviating the housing crisis and the funding, in principle, is welcome. Inland Homes has recognised the value of brownfield regeneration for many years and it is pleasing to see the Government come to the same conclusion.

However, funding without planning reform will not result in the country meeting its housing delivery targets. What is needed is a commitment to the promised overhaul of our archaic and overly complex planning system. Reports that the Government is considering watering down its proposed 'once in a lifetime' planning reform will, as a consequence, make it even harder to reach its own target of delivering 300,000 new homes a year by the mid-2020s.

Looking ahead

Our strategy of maximising the value of our land bank and reducing the Group's net borrowings will continue in the year ahead. While there are headwinds for the housebuilding sector to navigate, Inland Homes is well set to adapt to these challenges.

We will look to grow the Group's asset management and partnership housing businesses, where the demand from investors, affordable housing providers and BtR operators for our land, planning and build expertise remains strong.

The underlying strength of the housing market in the UK shows no signs of slowing down and without significant planning reform, housing demand will continue to exceed supply. This shortfall will continue to drive demand for the land we own and the new homes we build.

Stephen Wicks
Chief Executive Officer
31 January 2022



Meridian
Waterside,
Southampton