

INLAND ZDP PLC

Half-yearly report for the six months ended 31 March 2021

The half-yearly report can be accessed via the Inland ZDP PLC pages on the Inland Homes PLC ('Inland') website at <http://inlandhomesplc.com/investors/inland-zdp/> or by contacting the Company Secretary on 01494 762450.

COMPANY SUMMARY

Background

Inland ZDP PLC ('INLZ' or the 'Company') was incorporated on 22 November 2012 as a wholly owned subsidiary of Inland.

INLZ was formed especially for the issuing of Zero Dividend Preference Shares ('ZDP' Shares). It has raised a total of £22.28m through a series of placings of ZDP shares, which are listed on the UK Official List and admitted to trading on the London Stock Exchange. There are 18,101,857 ZDP Shares in issue, none of which were issued during the half year period to 31 March 2021.

Pursuant to a loan agreement between INLZ and Inland, INLZ has lent the proceeds received from all the ZDP Share issues to Inland. The loan is non-interest bearing and is repayable three business days before the ZDP share redemption date or, if required by INLZ, at any time prior to that date in order to repay the ZDP Share entitlement. The funds raised form part of the Inland Group's financing arrangements for its property development business.

A contribution agreement between INLZ and Inland has also been made whereby Inland undertakes to contribute such funds as would ensure that INLZ will have in aggregate sufficient assets on the final redemption date to satisfy the final capital entitlement of the ZDP Shares.

On 13 August 2018 several changes to the rights of ZDP Shares and the underlying loan documentation were effected extending the ZDP Shares a Final Redemption Date from 10 April 2019 to 10 April 2024 and increasing the Final Capital Entitlement from 155.9p to 201.4 pence. The annual accrual rate of return from 20 December 2012 to 13 August 2019 was 7.3% and is 5.49% for the period from 13 August 2018 to 10 April 2024, being a rate of return of 6.39% per annum on the original issue price of 100p on 20 December 2020. Previous results announcements and accounts showed the accrued capital entitlement calculated by reference to the accrued value to 13 August 2019 and subsequently increased at the accrual rate of 5.49%. The comparative accrued value below has been restated based on the accrual rate of 6.39% per annum. The restated accrued capital entitlement figure is in accordance with the Articles of Association.

INTERIM MANAGEMENT REPORT

The Company was incorporated solely to issue ZDP Shares and has never traded.

The accrued Capital Entitlement shown below based on the original issue price of 100p per ZDP Share on 20 December 2012 as increased over its life to the Final Capital Entitlement of 201.4 pence per ZDP Share payable on 10 April 2024. This represents an accrual rate of 6.39% per annum.

	31 2021	Mar 30 Sept 2020*
Accrued capital entitlement per ZDP Share*	167.0p	161.9p
ZDP share price as at the accounts date	161.0p	156.0p

* The comparative Accrued Capital Entitlement figure has been restated based on the accrual rate of 6.39% per annum.

The accounting book value of the ZDP Shares differs from the accrued Capital Entitlement, because ZDP Shares have been issued at various prices and redemption yields and each tranche is booked at its individual issue price and the liability accrued using the effective interest method over its life to the Final Capital Entitlement. As at 31

March 2021 the accounting book value was 172.3p per ZDP Share. The accrued capital entitlement is based on the initial issue price (100p) and its accrual over time to the redemption price and is not affected by the prices of subsequent issues. As at the repayment date, the book value and accrued capital entitlement will be equal to one another.

I am pleased to report that as at 31 March 2021, Inland had complied with all its covenants under the Loan Note, Contribution Agreement and related security documentation.

The key performance indicators used by the board to measure the Company's success are the accrued capital entitlement and the market price of the ZDP shares (shown above) and the cover ratio.

The asset value and the accrued capital entitlement will continue to increase as the repayment date approaches. The Cover Ratio as at 31 March 2021 was 2.3 times, calculated from book values as set out below.

Financial Indebtedness for cover ratio purposes is stated net of cash balances and excludes liabilities falling due after 10 October 2024, being six months after the redemption date of the ZDP Shares.

Capital Entitlement, Assets, Financial Indebtedness and Cover Ratio have been determined as set out in the Prospectus published by Inland ZDP PLC on 14 December 2012, as amended (in the case of the Capital Entitlement) as described in the circular dated 19 July 2018, both of which are available at: <http://inlandhomesplc.com/investors/inland-zdp/zdp-reports-and-presentations/>.

The following statistics are based on the interim consolidated financial statements of Inland Homes plc as at 31 March 2021.

		Book values	EPRA values
		£'000	£'000
Assets less creditors (exc cash and debt)	A	<u>290,326</u>	<u>332,110</u>
Net debt (exc ZDP Share liability)		91,367	91,367
ZDP Final Capital Entitlement		<u>36,457</u>	<u>36,457</u>
Financial indebtedness	B	<u>127,824</u>	<u>127,824</u>
Cover ratio	A/B	2.3	2.6
Hurdle Rate to pay the Final Capital Entitlement*		-23.7%	-27.0%
Hurdle Rate to recover the market price of a ZDP share**		-23.3%	-26.9%
Rate of return to maturity based on the market price of a ZDP Share**		7.05%	

* being the period from 31 March 2021 to 10 April 2024, based on the Assets and Financial Indebtedness as at 31 March 2021

** being the period from 25 June 2021, being the latest practicable date prior to the publication of this interim report to 10 April 2024 based on a share price of 166.5p, being the closing price of a ZDP Share on 25 June 2021.

Nishith Malde FCA
Chairman, Inland ZDP PLC
Registered in England No: 8303612

29 June 2021

PRINCIPAL RISKS

The principal risks facing the Company are substantially unchanged since the date of the Company's Annual Report for the period ended 30 September 2020 and continue to relate to the risk of Inland Homes plc being unable to satisfy its obligations to INLZ under the Loan Agreement and Contribution Agreement. These comprise liquidity risk and credit risk as set out in note 9 of the Inland ZDP PLC's Annual Report.

In addition, and due to the Company's dependence on Inland Homes plc to repay the loan and provide a contribution to meet the capital entitlement of the ZDP Shareholders, certain other risks faced by the Inland Group are considered to apply to INLZ as set out in the Prospectus published by INLZ on 14 December 2012. These comprise operational risks (eg planning and environmental) which may be specific to individual sites and risks associated with the housebuilding sector (such as falling house prices or variations in the availability of credit for buyers). The Prospectus may be found at <http://inlandhomesplc.com/investors/inland-zdp/zdp-reports-and-presentations/>.

The Company's directors recognise that the above risks to Inland Homes plc could have an adverse impact on its ability to fulfill its obligations to the Company including funding the Final Capital Entitlement of the ZDP Shares on 10 April 2024. The risk of any loss to ZDP Shareholders in such circumstances is mitigated by cash and tangible assets legally pledged to the Company with no prior charges over the pledged assets.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF-YEARLY REPORT

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in compliance with the IAS34 'Interim Financial Reporting' and gives a true and fair view of the assets, liabilities and financial position of the Company; and
- the interim management report and notes to the half-yearly report include a fair view of the information required by:
 - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of the important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

This half-yearly report was approved by the Board of Directors on 29 June 2021 and the above responsibility statement was signed on its behalf by Nishith Malde, Chairman.

STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 31 March 2021

		6 months ended 31 March 2021 (unaudited)	6 months ended 31 March 2020 (unaudited)	Year ended 30 September 2020 (audited)
Continuing operations	Note	£000	£000	£000
Revenue				
Interest income		805	750	1,537
Total income		805	750	1,537
Expenditure				
Expenses		-	-	-
Total expenditure		-	-	-
Profit before finance costs and taxation		805	583	1,537
Finance costs		(805)	(583)	(1,537)
Profit before tax		-	-	-
Income tax	2	-	-	-
Profit and total comprehensive income		-	-	-

The total column of this statement is the statement of comprehensive income of the Company, prepared in accordance with International Financial Reporting Standards ('IFRS'), as adopted by the EU.

All items in the above statement derive from continuing operations.

STATEMENT OF FINANCIAL POSITION
as at 31 March 2021

		As at 31 March 2021 (unaudited)	As at 31 March 2020 (unaudited)	As at 30 September 2020 (audited)
	Note	£000	£000	£000
Non-current assets				
Intercompany receivable		-	-	-
		-	-	-
Current assets				
Intercompany receivable		31,235	29,643	30,430
		31,235	29,643	30,430
Creditors: amounts falling due after more than one year				
Zero Dividend Preference Shares		(31,185)	(29,593)	(30,380)
		(31,185)	(29,593)	(30,380)
Net assets		50	50	50
Equity				
Ordinary share capital		50	50	50
Revenue reserve		-	-	-
Shareholders' funds		50	50	50

STATEMENT OF CASHFLOWS
for the six months ended 31 March 2021

	6 months ended 31 March 2021 (unaudited) £000	6 months ended 31 March 2020 (unaudited) £000	Year ended 30 September 2020 (audited) £000
Cash flow from operating activities			
Profit for the period before tax	-	-	-
Adjustments for:			
- interest expense	805	750	1,537
- interest and similar income	(805)	(750)	(1,537)
Net cash flow from operating activities	-	-	-
Cash flow from investing activities			
Loan to ultimate parent company	-	(2,699)	-
Net cash outflow from investing activities	-	(2,699)	-
Cash flow from financing activities			
Proceeds on issue of ZDP Shares	-	2,699	-
Net cash inflow from financing activities	-	2,699	-
Net increase in cash and cash equivalents	-	-	-
Net cash and cash equivalents at beginning of period	-	-	-
Net cash and cash equivalents at the end of period	-	-	-

NOTES TO THE HALF-YEARLY REPORT
for the six months ended 31 March 2021

1. General information

The financial information contained in this half-yearly report does not constitute statutory financial statements as defined in Section 434 of the Companies Act 2006. The statutory financial statements for the year ended 30 September 2020, which contained an unqualified auditors' report, have been lodged with the Registrar of Companies and did not contain a statement required under the Companies Act 2006. These statutory financial statements were prepared under International Financial Reporting Standards.

The financial information of the Company for the six-month period ended 31 March 2021 has also been consolidated into the results of Inland for the six months ended 31 March 2021.

This half-yearly report has not been audited or reviewed by the Company's Auditors.

This half-yearly report has been prepared using accounting policies set out in note 1 of the Company's audited financial statements for the year ended 30 September 2020.

2. Taxation

The charge for taxation is based on the taxable profits for the period. Taxable profit differs from profit before tax as reported in the Statement of Comprehensive Income because it excludes items of income or expenses that are never taxable or deductible. The Company's liability for tax is calculated using rates that have been enacted or substantively enacted by the reporting date.

3. Going concern

The Company will fulfil its obligations to ZDP Shareholders through the Contribution Agreement it has with Inland. The contribution from Inland will provide the funds to pay the Capital Entitlement of the ZDP Shareholders when it falls due. The main risk the Company faces is, therefore, that Inland would not have sufficient assets to repay the loan and to make a contribution to fulfil the amount of the Capital Entitlement due to ZDP Shareholders. Covenants are in place between Inland and the Company, which ensure that Inland will not undertake certain actions in relation to both itself and the Company.

All operating expenses of the Company are borne by Inland.

Due to the Company's dependence on Inland to repay the loan and provide a contribution to meet the Capital Entitlement of the ZDP Shareholders, other risks faced by the Company are considered to be the same as for Inland. Please see the paragraph headed Principal Risks above for further information.

The Inland Homes plc Board has reviewed the performance of the Group for the current reporting period and prepared forecasts for a period covering twelve months from the date of approval of this Interim Report.

In preparing forecasts the Directors of Inland Homes plc have considered the prevailing market conditions and current and known future disruptions brought about by COVID-19, alongside the other risks and uncertainties, including credit risk and liquidity risk, the present inflationary economic climate, the current and future forecast demand for land with planning consent and the current and expected future housing market conditions in the South and South East of England where the Group operates.

The Directors of the Company have considered the financial resources of the Inland Group and believe that Inland will have sufficient resources to continue in operational existence for the foreseeable future. Accordingly, they have prepared this half-yearly report on the going concern basis. The Inland Homes plc interim statement for the six months to 31 March 2021 contains further information.

4. Related party transactions

The loan to Inland Homes PLC is interest free and is repayable on the ZDP repayment date (see corporate summary above) or immediately upon an event of default. At 31 March 2021, the loan to the ultimate parent company was £31,235,166 (2020: £29,642,629).

Sources of further information:

The Company's ZDP Shares are standard listed and are traded on the Main Market of the London Stock Exchange.

The Company's ZDP Asset Cover is released via the London Stock Exchange's Regulatory News Service on a quarterly basis.

Information about the Company and Inland can be obtained on the Inland Group's website: www.inlandhomesplc.com.

Registrar enquiries:

The register for the ZDP Shares is now maintained by Link Registrars Limited. In the event of queries regarding your holding, please contact the Registrar on 03716 640300. Changes of name and/or address must be notified in writing to the Registrar.

Neither the contents of Inland's website nor the contents of any website accessible from hyperlinks on this announcement (or any other website) is incorporated into, or forms part of, this announcement.