Inland homes

Annual Report and Accounts
for the year ended 30 June 2012

Making the right moves
Creative thinking in brownfield development

Inland Homes plc is a leading brownfield regeneration specialist. We specialise in buying brownfield sites and enhancing their value through obtaining planning permissions for residential and mixed use developments.

Inland's highly experienced land team has extensive knowledge of the complexities of the planning system which in turn enables it to unlock added value in property that others cannot.

We recognise the significant impact our activities can have on the environment and the communities in which we work.

We believe that managing these activities responsibly brings long term benefits to our shareholders as well as our stakeholders.

At the heart of our business is the principle of sustainability - the need to conserve scarce resources for the benefit of future generations.

Sustainability is at the heart of everything we do.

Contents

Highlights

Pre-tax profit:
£1.6m
(2011: £3.5m)

Earnings per share:
0.41p
(2011: 2.10p)

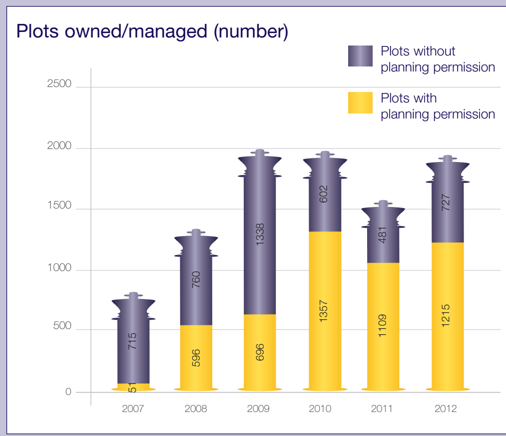
Net assets:
£49.4m
(2011: £48.5m)

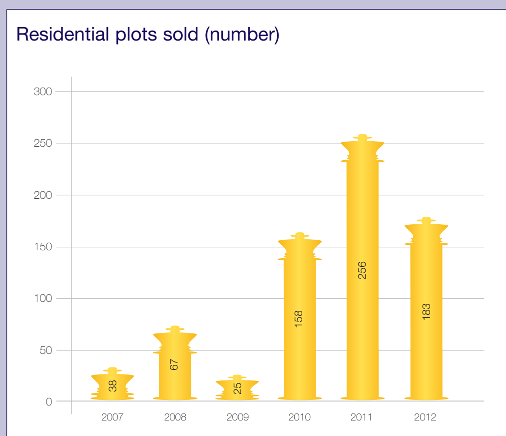
Net asset value per share:
27.0p
(2011: 26.5p)

Proposed maiden dividend per share:
0.067p

Land portfolio

The land portfolio consists of 1,940 plots across the south of England, controlled or managed by Inland.

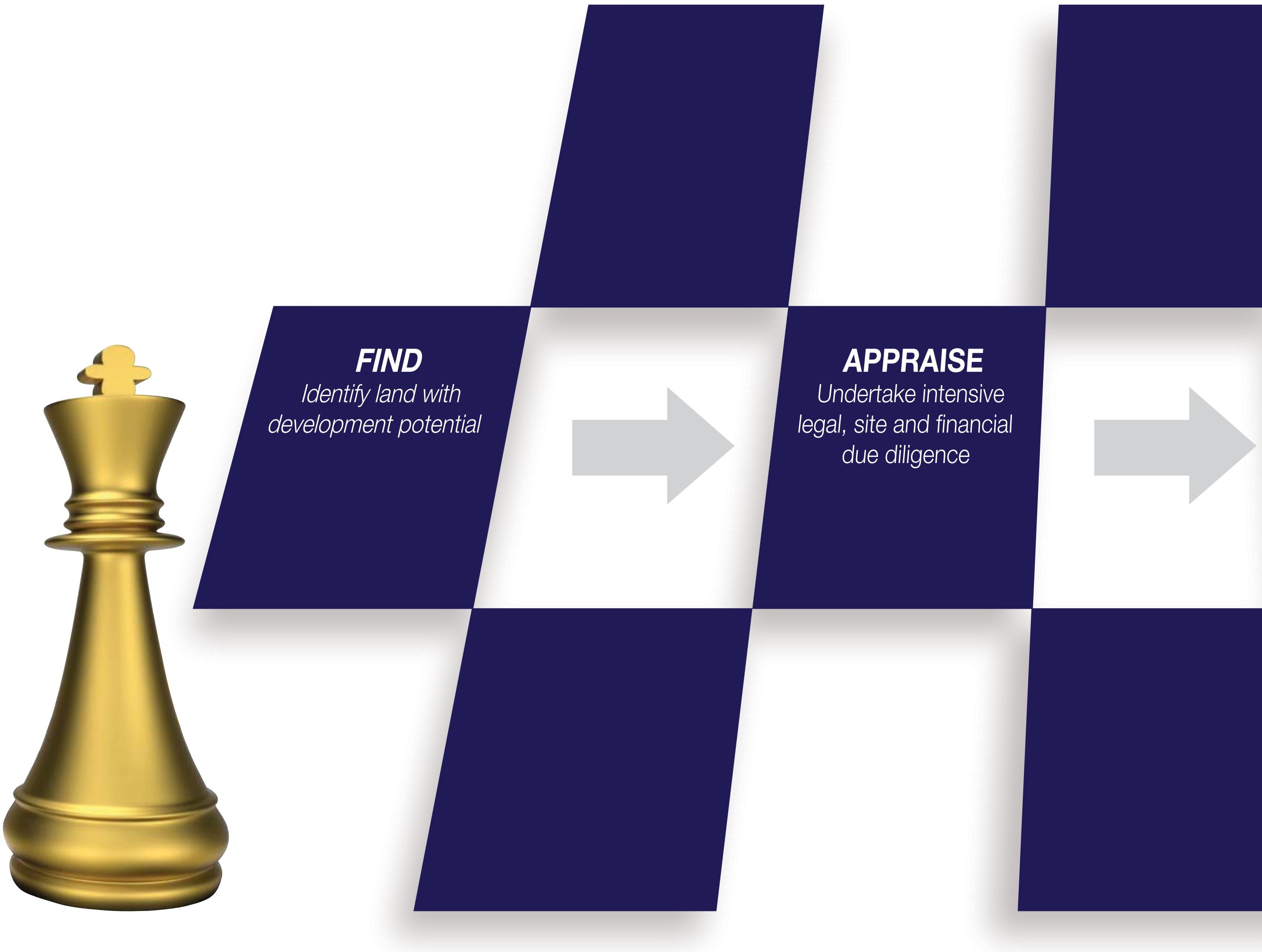




- Land portfolio of 1,940 plots
- 1,215 of which are consented
- Sites include 220,000 sq ft of commercial space
- Annual rental income of £308,000

Our business strategy

As a leading regeneration specialist, we add short, medium and long term value by taking land through the planning process for the benefit of shareholders.



Activity during 2011/12

Value creation through responsible development

REALISE VALUE

SHORT TERM
Dispose all or part of the site to realise value added by the planning process

MEDIUM TERM
Develop all or part of the site to realise value added by the planning process as well as margin from housebuilding

LONG TERM
Retain all or part of the site to increase the quality of the land bank to maximise its ultimate value

SECURE
Acquire sites through well structured contracts

ADD VALUE
Take the land through the complex planning process to maximise added value by obtaining a planning permission

742 Potential plots secured

283 Residential plots gained planning consent during the year

116 Residential plots sold at DGV during year

67 Residential plots sold under an asset management agreement

44 Residential plots sold post year end

108 Residential plots currently under construction

Q&A with the Chief Executive

Stephen Wicks

Q1. Why did you structure the purchase of Drayton Garden Village in an off balance sheet vehicle?

A. Contracts to purchase Drayton Garden Village for £24.25m were exchanged in December 2008 at the depths of the financial crisis with a substantial amount of the consideration deferred for four years. In order to protect the Group from this potential liability the Board approved a purchase that was non-recourse to the Group.

Q2. What will be the growth drivers in the short term?

A. I believe that the Group's growth in the short term will come from the realisation of cash from our projects in Farnborough, Poole and Ashford which we will reinvest into new opportunities that we are working on.

Q3. What do you think about the government's current plans for the planning system?

A. Until planning decisions are made by people that are not involved in politics, local government will take little heed of pronouncements made by central government.

Q4. There has been a recent focus on housebuilding – do management believe this will become an even more significant part of the business in the short and medium term?

A. The current strategy is to increase our housebuilding activity by developing some of our land bank. This will enable us to capture the development margin of those projects. However, the major part of our business will continue to focus on increasing the number of plots within our land bank, which will include disposals of some plots. Housebuilding activities also enables us to attract mainstream funding and improve our cash flow.

Q5. How does Inland plan to grow the underlying net asset value over the next few years?

A. The underlying net asset value will increase by a combination of:

- Extracting some of the development margin from the plots within our land bank as a contribution towards our overheads
- Realising value from the sites purchased prior to the financial crisis
- Securing new land opportunities to add value through the planning process.

We also expect to carry out joint ventures with major housebuilders on a number of key sites.

Q&A with the Financial Director

Nishith Malde

Q1. As a relatively small company how have you managed to raise funds over the last few years?

A. We keep a very tight control over our cash resources and match receipts against expenditure very carefully. Cash realised from asset sales is then re-invested in new projects. Vendor financing is a significant feature of our land purchase programme. We also have access to a number of facilities from high net worth individuals.

Q2. How did you determine the level of the proposed dividend?

A. The Board discussed the proposed dividend at length and the conclusion was to commence a progressive dividend stream that is not necessarily dictated by the level of profits, as the value of the business is based on the underlying worth of its assets. The dividend will demonstrate that the Directors have confidence in the Group's future cash flows. It is important to note that cash generated by the business will be re-invested into new opportunities to enhance the value for shareholders.

Q3. Why is the effective tax charge 52.5% of pre-tax profits?

A. The effective tax charge appears to be high due to the release of £382,000 of deferred tax asset to the income statement as a result of the reduction in the corporation tax rate from 26% to 24%.

Q4. How much of the profits from Drayton Garden Village have already been recognised in Inland?

A. Inland has recognised a cumulative total of £7.9 million as revenue and notional interest within its Income Statement.

Q5. How do you feel the share price has performed?

A. It is disappointing that Inland's shares have been trading at a significant discount to its net asset value during the last few years. Investor uncertainty over the off balance sheet treatment of DGV, lack of dividend payments and the global financial uncertainty have all had an impact. To counter these, we have made detailed disclosures on the financial effects of the DGV arrangement; proposed our maiden dividend; and we are using alternative methods of funding land purchases in order to reduce our reliance on banks. This has resulted in our share price growing from a low of 6p in December 2008 to an average of approximately 20p more recently – a rise in excess of 230%. What is interesting is that our share price relative to our peers shows a similar trend.

Chairman's statement

"The year's focus has been on improving the quality of our land holdings by acquiring or controlling new sites, re-negotiating planning agreements and securing further consents."

Future Growth Strategy

- Maximising development value through housebuilding
- Selling parcels of land with planning consent
- Acquiring new sites and gaining planning consent
- Joint ventures with major housebuilders

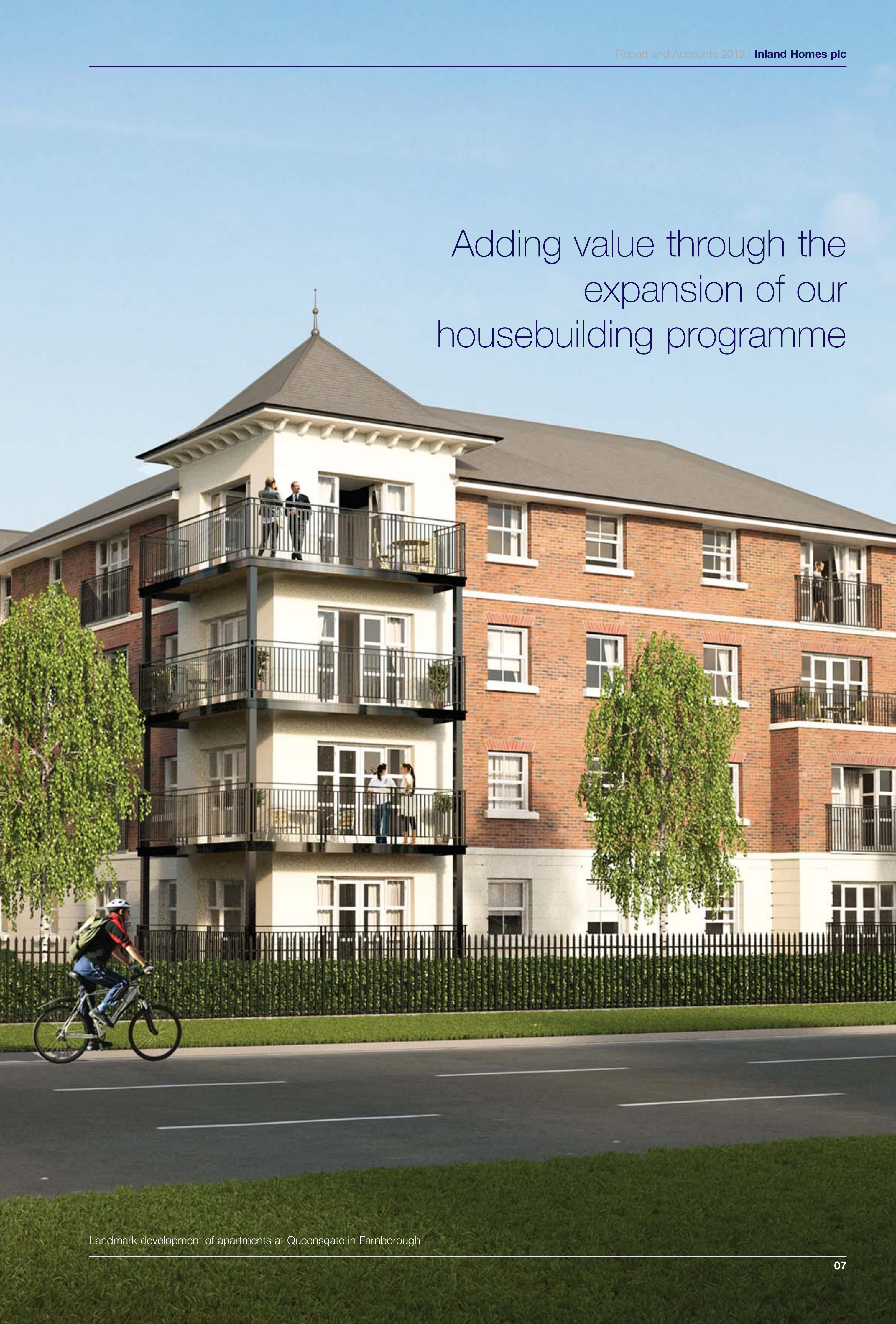
I am pleased to report that the Group has made positive progress across the various facets of its business, which is reflected in the continuing growth in our land bank and the additional consents which have been secured on the back of on-going strong demand for housing land in the South of England.

As shareholders are also aware, it is the Board's objective to maximise the value of each land sale and not to take a reduced consideration just to suit financial reporting periods. With this policy in mind, a land sale that was expected to generate a profit contribution of approximately £2.0 million in the year ended 30 June 2012 did not conclude as originally anticipated prior to the year end. In relation to this transaction, negotiations continue with a potential buyer and we hope to report a conclusion on this sale in the near future.

As announced in July 2012, whilst Inland's profit expectation for the year under review was adjusted accordingly, this has not had any impact on the Group's underlying net asset value which remains robust.

Although during the twelve month period the Group did not conclude the sales of any building plots and completed only nine residential unit sales compared to 35 in the previous year, I am pleased to report that since the start of the new financial year we have completed the sale of 44 plots to a national housebuilder at our Queensgate development for a consideration of £3.14 million and contracts have been issued for the sale of a further 283 plots on 3 other sites. We have also completed the sale of 14 residential units since the year end.

Adding value through the expansion of our housebuilding programme



Landmark development of apartments at Queensgate in Farnborough

Chairman's statement (continued)

Financial results

Consequently, as a result of the above factors, turnover from land and house sales, rental income and project management fees in the year was £6.1 million (2011: £21.4 million). Operating profit was £1.1 million (2011: £3.5 million) and profit before tax was £1.6 million (2011: £3.5 million). Earnings per share was 0.41 pence (2011: 2.10 pence) whilst net asset value per share increased to 27.0 pence (2011: 26.5 pence).

Once again, these financial results exclude any future value from the Drayton Garden Village (DGV) development services agreement where Inland expects to secure 90% of the profit from this project.

During the period Drayton Garden Village Ltd (DGVL) sold 116 plots and some land with planning consent for an 80 bed nursing home for a total consideration of £8.5 million. The Directors believe that Inland's share of the future profits from this project could be in the order of £13.0 million which is equivalent to 5.0 pence per ordinary share net of tax. These projections are based on selling serviced plots to UK housebuilders and may be substantially enhanced if DGVL was to 'build out' parts of the site.

In addition to the 116 plots sold at DGV, the Group sold a further 67 consented plots on behalf of a client under an asset management agreement.

Dividend

The Board is proposing to recommend a maiden dividend of 0.067 pence per share. If approved by shareholders at the Annual General Meeting on 27 November 2012, the final dividend will be paid on 17 December 2012 to members on the register at the close of business on 16 November 2012. The ex-dividend date will be 14 November 2012.

Operational review

HOUSEBUILDING - A key focus of the Group has been to increase our housebuilding programme. This enables Inland to capture the development margin on projects, thereby enhancing the overall returns to shareholders.

In light of the success of our embryonic housebuilding programme, we expect to increase this activity by building out part of our land bank as well as continuing to sell consented building land to housebuilders.

Queensgate, Farnborough, Hampshire - During the year nine new homes (2011: 31) were sold for a total consideration of £1.7 million (2011: £6.4 million) at good margins, with a further 14 units completed after the June 2012 year end.

Construction has also commenced on a further phase of 56 units, of which 20 units will be pre-sold to a Housing Association. This will be followed by a further 44 units for which detailed planning consent is currently being sought. The Group has successfully secured a revolving facility of £1.9 million from the Homes and Communities Agency under the 'Get Britain Building' initiative to fund the construction of these homes.

Warwick Gardens, Redhill, Surrey - We have recently opened a show-house and marketing suite for the launch of this new development of 28 units; early indications are encouraging, having received a number of reservations at prices higher than our original expectations.

LAND HOLDINGS Summarising the activities at each of the current key sites:

Drayton Garden Village, West Drayton, Middlesex - Within DGVL, consent was originally gained for 773 homes and commercial space. Inland provides significant development services and there have been considerable steps forward during the period under review. Substantial progress has been made with the infrastructure on the site and the state of the art energy centre has been completed and is operational.

Sales at DGV include 88 plots to a private housebuilder, 28 plots for shared-ownership to a Housing Association and the sale of land with planning consent for an 80 bed nursing home.

I am also pleased to report that negotiations are at an advanced stage for the pre-let of a 4,000 sq ft neighbourhood foodstore to a national retailer on this site.

Queensgate, Farnborough, Hampshire - We have successfully re-negotiated the Section 106 Agreement to reduce the affordable housing element down from 35% to 20% and improve the sales mix to reflect current market conditions. Since the year end we sold 44 building plots to a major housebuilder for £3.14 million and completed the sale of 14 residential units. Within Queensgate, Inland has 213 plots remaining.

Ashford Hospital, Middlesex - We have successfully negotiated a variation to the Section 106 Agreement that has had the effect of reducing the affordable housing element of the planned scheme from 35% to nil. This is a major step forward and will enable this development of 152 units to commence shortly.

We are in advanced negotiations to embark on a development agreement with a major UK housebuilder on this site, where Inland will provide the consented

Proposed street scene at St John's Hospital in Chelmsford, Essex

land, with our partner managing and funding the construction and the sale of the completed units. If, as we anticipate, this venture proves successful, we intend to use this template to enter into further development projects on other sites in due course.

St John's Hospital, Chelmsford, Essex - Planning permission was secured for 127 homes on the northern section of the development site, of which only 14 will be affordable shared ownership units. We have also completed the purchase of the southern section of the same site, where we will shortly be making a planning application for approximately 100 units including detached houses, some of which will back on to the local golf course.

Carter's Quay, Poole, Dorset - Negotiations are continuing with the Local Authority regarding this site and our current planning application for 268 homes and 108,000 sq ft of commercial space. We expect a decision on this during the current financial year.

Beaconsfield, Buckinghamshire - At the half year, we touched on a significant new opportunity in a prime part of Buckinghamshire where Inland had secured an interest in land of strategic access importance. The Group has purchased 20 acres of land adjoining a site which has been allocated for the development of approximately 300 homes in the local plan.

During the year the land bank was strengthened by 742 new plots and the current land bank comprises:

Owned with consent	706
Drayton Garden Village and other managed sites with consent	509
Owned/contracted without consent (allocated for development)	380
Sites controlled or terms agreed (allocated for development)	347
Total plots:	**1,942**

PEOPLE - Once again, on behalf of the Board and all Stakeholders, I would like to express appreciation and thanks to the Inland team at all levels for their hard work and dedication in what is a tough and challenging planning and operating environment. Their knowledge and expertise remain an invaluable and important asset that is providing a solid base for the Group's and other Stakeholders' future success.

INVESTMENTS - Our associate company, Howarth Homes plc (Howarth) made progress in the year. Howarth's turnover for the financial year ended 31 July 2012 was £22.4 million (2011: £24.2 million), producing improved pre-tax profits from £0.6 million to £0.8 million. Howarth's current construction order book remains healthy, standing at £41.0 million.

Within our joint development with Howarth at Woodland Chase, Croxley Green, Hertfordshire, 14 homes were sold in the period. The last phase, comprising 12 houses, is now under construction and it is anticipated that this successful development will be fully completed by the next period end.

Outlook

The year's focus has been on improving the quality of our land holdings by acquiring or controlling new sites, re-negotiating planning agreements and securing further consents. We are concentrating on generating cash and profit from the existing land portfolio and adding further value through the expansion of our housebuilding programme.

We have a number of current projects at various stages, as well as new opportunities being researched and undertaken; as a Board we remain confident about the future.

Terry Roydon
CHAIRMAN
25 October 2012

Chief Executive's review

> "A year of consolidation – during the year our focus was very much on improving the value of our land bank by successfully re-negotiating Section 106 Agreements and achieving further planning permissions."

Key challenges for this year

- Securing planning consent at Poole in Dorset
- Securing planning consent at St John's Hospital (southern section) in Chelmsford, Essex
- Finalising a joint venture development agreement with a major housebuilder at Ashford Hospital in Middlesex
- Progressing the Development Brief at Wilton Park in Beaconsfield, Buckinghamshire
- Continuing the development of Drayton Garden Village in Middlesex

From this solid platform, we expect a substantial increase in activity from our own housebuilding activities, land sales and joint ventures with trade partners.

Inland is firmly established as a specialist in the regeneration of complex brownfield sites in the South of England. Our skill base enables us to evaluate the risk/reward relationship in buying large scale opportunities without consent and improving the value by obtaining commercially viable planning permissions.

As the business has grown, so has our expertise; our model now entails carrying out major infrastructure works, landscaping and installation of combined heat and power systems.

Planning system

Successful outcomes are expected on all of our projects, but timescales within the UK's increasingly complex planning system are difficult to predict. The planning environment continues to evolve and whilst it is encouraging to see housing so high on the political agenda, the 'avalanche' of new initiatives coming forward are potentially counteracting the need to simplify the planning system.

One of the Group's key strengths is its ability to guide schemes through the planning process, managing the many stakeholders and their interests coupled with overcoming environmental constraints.

Show home at Warwick Gardens in Redhill, Surrey

Chief Executive's review (continued)

Strategy

Our land bank of more mature projects with consent will enable regular land sales. The growing housebuilding programme, together with planned joint ventures, should enable the Group to have a more conventional 'shape', thus reducing the level of perceived exposure which will assist shareholder perception and understanding of our business model.

We have in the pipeline some sales to major housebuilders and Housing Associations of a substantial number of consented plots that are 'ready for development'. In addition, there has been a significant increase in our own housebuilding programme where we currently have over 100 units within our construction programme with an anticipated gross development value of £18.0 million. These developments include 80 apartments at Queensgate in Farnborough, Hampshire where we recently completed a phase of 15 houses and four apartments; and 14 houses and 14 apartments at Warwick Gardens in Redhill, Surrey.

Finance

As set out in the previous Annual Report and Accounts, we have obtained secured funding from a number of non-banking sources and to date have drawn down in the order of £6.7 million from these facilities.

Show home at Warwick Gardens in Redhill, Surrey

Housebuilding finance of £1.5 million has been drawn down from Close Brothers and a facility of £2.5 million has been approved by Barclays Bank, which we expect to utilise shortly to partly refinance some of the funding from non-banking sources. In addition, the Group has secured a £1.9 million line of funding via the Homes and Communities Agency's 'Get Britain Building' initiative for our Farnborough development.

Since the last year end inventories have increased from £24.1 million to £43.8 million as at 30 June 2012 and there was a corresponding increase in net borrowings from £424,000 to £6.4 million at the balance sheet date, resulting in net gearing of 13.2% (2011: 0.9%).

Recently completed phase of 19 units at Queensgate in Farnborough, Hampshire

An E.ON representative, Stephen Wicks and the Mayor of Hillingdon discussing the benefits of the Energy Centre at Drayton Garden Village

Chief Executive's review (continued)

Key challenges in the current financial year

Securing planning consent at **Poole** in Dorset

Securing the long overdue consent on our site at Poole in Dorset, where we are inching closer to permission. The delay has been beyond our control due to the Local Authority having to undertake an appropriate assessment of increased nitrogen discharge into Holes Bay. We understand that the local authority has concluded their assessment positively which will enable the application to be considered in the near future. Now that the Twin Sails Bridge has been opened we are keen to progress the regeneration of this site. Carters Quay will include a new neighbourhood of 73 family houses with gardens in pedestrian streets that are well connected to the rest of Hamworthy. The waterside area will be of mixed use with employment spaces to attract new companies to Poole, cafes, restaurants and upper level apartments. Importantly, at last Hamworthy residents will be able to access the waterfront that surrounds them.

Carter's Quay

Proposed street scene at Carter's Quay in Poole, Dorset

Chief Executive's review (continued)

Key challenges in the current financial year (continued)

Securing planning consent at **St John's Hospital** (southern section) in Chelmsford, Essex

Securing consent for St John's Hospital (southern section) where our planning application has recently been submitted for a scheme of 71 houses and 30 apartments. This part of the hospital is adjacent to the local golf course and the scheme design takes advantage of the panoramic views by locating houses along the boundary with an ecological buffer between the development and the golf course. Inland purchased the southern section of the hospital after having earlier acquired the northern section. Consent on the northern section was granted during the year for 127 houses and apartments, and the development will include both new build properties and the conversion of some of the historic buildings.

St John's will have easy access to Chelmsford City Centre with its rich heritage, beautiful green spaces, first class leisure and arts facilities, shopping, dining, vibrant nightlife and excellent road and rail links.

Proposed street scene at St John's Hospital in Chelmsford, Essex

Northern and southern sections of St John's Hospital in Chelmsford, Essex

Chief Executive's review (continued)

Key challenges in the current financial year (continued)

Finalising a development agreement with a major housebuilder at **Ashford Hospital** in Middlesex

Finalising a development agreement with a major housebuilder to develop our site for 152 apartments at Ashford Hospital in Middlesex. This site is close to the A30, M25 and is only two miles from Heathrow Airport. Because of its close proximity to London and good transport links, the area is a popular commuter town. Our development will consist of striking modern buildings which will maximise both the natural light and the westerly views over the reservoir. Two large courtyards will provide an attractive backdrop for the benefit of residents and will include a natural play area where children will be challenged to learn as well as to play safely.

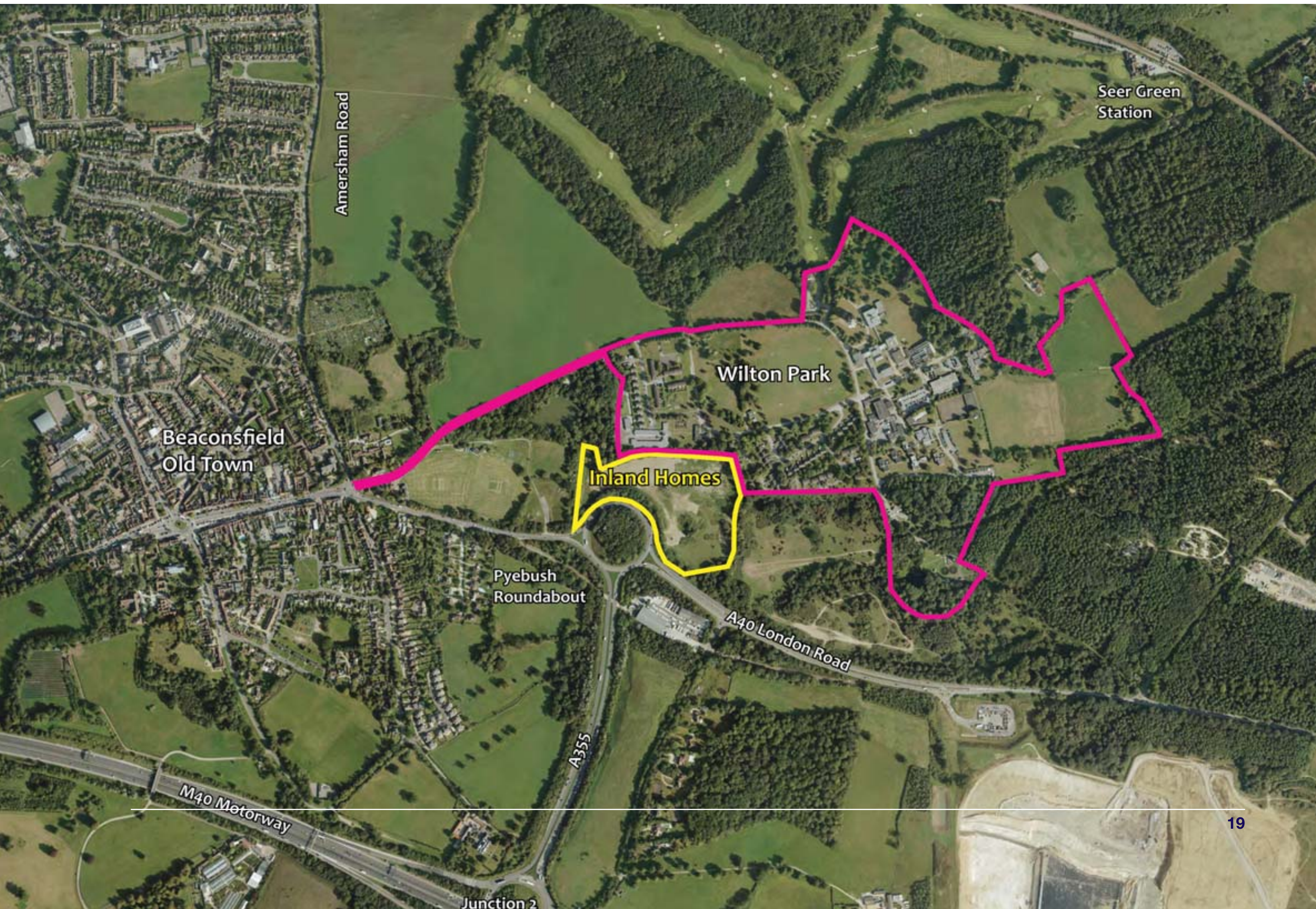
Progressing the Development Brief at **Wilton Park** in Beaconsfield, Buckinghamshire

Progressing the Development Brief in partnership with the Local Authority and the Defence Infrastructure Organisation on our significant new project at Wilton Park in Beaconsfield, Buckinghamshire. This will be the first step towards securing a formal planning permission. Wilton Park is a defence establishment sitting within a 90 acre site which has been declared surplus to requirements. The site has been allocated within the South Buckinghamshire Local Plan for up to 300 homes and 100,000 sq ft of commercial space. A key part of the allocation is a requirement that the access to the site is via land which has been purchased by Inland.

Wilton Park in Beaconsfield, Buckinghamshire

Proposed development at Ashford Hospital in Middlesex

Beaconsfield is located approximately 22 miles west of london and is the largest town in South Buckinghamshire



Chief Executive's review (continued)

Key challenges in the current financial year (continued)

Continuing the development of **Drayton Garden Village** in Middlesex

Continuing the development of Drayton Garden Village in Middlesex. During the year ended 30 June 2012, we provided a significant amount of services to DGVL, including the procurement of the sale of 116 residential plots and a plot for an 80 bed nursing home. The construction of 236 homes and the nursing home is well under way by the purchasers of the land. The landscaping works and play areas on the village green have now been completed. The main boulevard onto the site and a major part of the spine road have also been finished. Work is due to start on the retail units and estate management centre at the entrance to the development, where negotiations are at an advanced stage for the pre-let of one of the units to a national food retailer. The combined heat and power centre and district heating network are now fully operational and are already providing the first occupants with efficient heat and hot water. The improvement works to a local parade of shops will commence in the New Year, which will have a very positive impact on the surrounding area. On behalf of DGVL we are reviewing potential options for the next phase of development at the site.

Spine Road into Drayton Garden Village

Proposed street scene at Drayton Garden Village

Spring Green at Drayton Garden Village

First homes occupied at Drayton Garden Village

Chief Executive's review (continued)

Howarth

Minet Drive – a prize winning site

Development at Minet Drive in Hayes, Middlesex for Paradigm Housing Association

Results

Our associate company, Howarth, is continuing to make good progress. Due to the increase in their profitability we have reversed £500,000 of the impairment on our investment. Howarth is developing 80 plots on 9 sites for private sale in the South East, including projects in Chesham and Farnham Common in Buckinghamshire, Northwood in Middlesex, Rickmansworth in Hertfordshire and Kensington in London as well as our joint venture in Croxley Green in Hertfordshire. They are also constructing 165 plots on behalf of third parties including housing associations.

Prize winning staff

I should like to congratulate Howarth's Mr Geoff Turner who won the NHBC 'Pride in the Job' and 'Seal of Excellence' awards in the London and South East Region for medium sized housebuilders as a result of his work on Minet Drive in Hayes, Middlesex - a site being constructed for Paradigm

Geoff Turner of Howarth Homes receiving the NHBC award

Joint venture development at Woodland Chase in Croxley Green, Hertfordshire

Successful joint venture at **Woodland Chase**

Housing Association. Inland obtained the planning consent and sold the site to Paradigm HA during the year ended 30 June 2011. The achievement of Geoff and the team at Minet Drive is testament both to their hard work and to the quality centred cultures at Howarth and Inland.

Woodland Chase

Our joint venture with Howarth at Woodland Chase in Croxley Green, Hertfordshire is well advanced on the final phase of 12 houses backing onto the woodland. Each home on this luxury development has been designed in response to how people live today and has been given individual character by using different, but complimentary exteriors across the site. Having repaid the loan from Investec Bank in April 2012, the development was refinanced by Close Brothers in July 2012, enabling the repayment of part of our investment.

Chief Executive's review (continued)

Our charity work

The Group is a keen supporter of various charities and is proud to have supported the British Institute of Brain Injured Children (BIBIC), Make a Wish Foundation and Jungle City, a 100% charitable event which supports the work of seven UK conservation charities.

I should like to extend my special thanks to the seven members of the Inland Team who undertook the Three Peaks Challenge, a gruelling climb of the three highest peaks in England, Scotland and Wales in 24 hours. They achieved this in June 2012, overcoming torrential rain and freezing conditions at the summits, and raised an impressive £38,000 for BIBIC. This is a national charity offering practical help to families caring for children with conditions such as autism, cerebral palsy, Down's syndrome, developmental delay, brain injury, ADHD, dyslexia and dyspraxia.

One of Jungle City's brightly painted sculptures used to raise awareness for their survival

The Inland team: Paul Brett, Rob Williams, Nish Malde Matt Corcoran, Pedro Longras, Des Wicks & Mark Gilpin

Show home at Queensgate in Farnborough, Hampshire

Summary and prospects

The foundations to deliver a successful set of results for the new financial year have been laid. There is a strong pipeline of new opportunities being investigated by our team, although we are extremely discerning as to which projects fit our very strict criteria for purchase. We are confident a number of high quality new sites will be secured in the current financial year and we will continue to add value to our projects by navigating them through the intricate planning system and capture the development margin on some of our sites by delivering successful housing schemes.

In summary, I am confident that our strategy will increase the value of our asset base in the medium term and deliver sound returns to our shareholders.

Stephen Wicks
Chief Executive
25 October 2012

Proposed street scene at Warwick Gardens in Redhill, Surrey

For more information about Inland visit:
www.inlandplc.com and **www.inlandhomes.co.uk**

Directors

Terry Roydon, Non-executive Chairman aged 65 holds a BSc in Estate Management from the University of London and a Masters in Business Administration from the University of Pittsburgh. He was previously Chief Executive of Prowting plc, a UK housebuilder, which he led to flotation on the London Stock Exchange in 1988. The company was subsequently purchased by Westbury plc in June 2002 for £140m. Since 1998, Mr Roydon has been a consultant and member of the board of Dom Development S.A., a major quoted Polish residential developer, together with a number of non-executive and consultancy positions in the UK and continental housebuilding companies, including holding non-executive board positions with AIM quoted Kimberly Resources N.V., Country & Metropolitan plc (until 2005), Gladedale Holdings plc (until March 2007) and Larkfleet Limited (until May 2011). From 1995 to 1997 he was President of the European Union of Housebuilders and Developers.

Stephen Wicks, Chief Executive aged 61 was the founding shareholder and Chief Executive of Country & Metropolitan plc, which floated on the main market of the London Stock Exchange in December 1999 with a market capitalisation of £6.9m. He directed the growth of Country & Metropolitan plc until its disposal in April 2005 to Gladedale Holdings plc for approximately £72m. Mr Wicks has worked in the construction and housebuilding sector all of his working life and has extensive knowledge of local and national policies on both greenfield and brownfield sites.

Nishith Malde, Finance Director aged 54 qualified as a Chartered Accountant in 1985 with KPMG and specialised in advising owner managed businesses. He left KPMG in 1989 to set up a consultancy firm which later merged with an audit practice where he was the partner responsible for the affairs of Country & Metropolitan plc. Mr Malde joined Country & Metropolitan plc as finance director and company secretary in 1998. He was actively involved in the preparation for the flotation of Country & Metropolitan plc in December 1999 and its further development until it was acquired by Gladedale Holdings plc in April 2005. Mr Malde is also on the board of Energiser Investments plc, an AIM listed company.

Simon Bennett, Non-executive Director aged 54 qualified as a Chartered Accountant in 1981 and has over 25 years' investment banking experience in the City. Mr Bennett was the head of corporate finance and head of the mid and small caps team at Credit Lyonnais Securities and, following its acquisition by Credit Agricole, he established Incremental Capital LLP to provide corporate finance advice to mid and small cap companies. In the latter part of 2005, Mr Bennett joined Baker Tilly as managing director of Baker Tilly and Co. Limited. In late 2007 Mr Bennett joined Fairfax IS plc, the independent investment bank, as head of corporate broking. Mr Bennett has recently joined Merchant Securities as Head of Corporate Broking and is also non-executive chairman of Energiser Investments plc and a number of other private companies.

Paul Brett, Land Director aged 36 has been involved in the housing sector all of his working life, acquiring and master planning brownfield sites at Country & Metropolitan plc for ten years during which time he was promoted to Land Director of its Southern Region. Mr Brett joined the Inland Group in August 2005. He has extensive experience in identifying brownfield land and the necessary knowledge of the complexities of the planning system.

Directors' report

The Directors present their report and the financial statements of the Group and the Company for the year ended 30 June 2012.

Principal activity

The principal activity of the Company and its subsidiaries, together called the Group, is to acquire residential and mixed use sites and seek planning consent for development. The Group develops a number of the plots for private sale and sells consented plots to housebuilders.

Results and dividends

The trading results for the year are set out in the Group Income Statement on page 37 and the Group's financial position at the end of the year is set out in the Group Statement of Financial Position on page 39. Further details of the performance during the financial year and expected future developments are contained in the Chairman's Statement which forms part of the Directors' Report.

The directors propose to recommend the payment of a final dividend of 0.067p per share (2011: £nil)..

Business review

A review of the development and performance of the business during the year and the future outlook of the Group is set out in the Chairman's Statement on pages 6 to 9. The Group's key performance indicators are revenue, profit before tax, net assets per share and the number of plots with and without planning consent. These indicators are monitored closely by the Board and the details of performance against these are given in the Chairman's Statement.

Principal risks and uncertainties

The management of the business and the nature of the Group's strategy are subject to a number of risks.

The Directors have set out below the principal risks facing the business. Where possible, processes are in place to monitor and mitigate such risks.

These are general in nature and include: obtaining business on competitive terms; retaining key personnel; and market competition. The Group operates a system of internal control and risk management in order to provide assurance that the Board is managing risk whilst achieving its business objectives. No system can fully eliminate risk and therefore, the understanding of operational risk is central to the management process.

Principal risks and uncertainties (continued)

To enable shareholders to appreciate what the business considers are the main operational risks, they are briefly outlined below:

	RISK	POTENTIAL IMPACT	STRATEGY
land	The inability to source, acquire, promote and dispose of land	The Group would not be able to generate profit and cash flow for the longer term May have a detrimental effect on the financial position of the Group	The Group has an experienced management team with a strong track record in the industry which mitigates this risk
Planning	Increased complexity and delay in the planning process The adoption of the Community Infrastructure Levy by local authorities	May impede sales and thus affect the rate of growth of the business May have a detrimental effect on the supply and pricing of land being marketed by landowners	The Group undertakes extensive pre-acquisition due diligence on planning, technical and environmental issues together with acquiring housing sites identified in councils' Local Plans
Market	A severe fall in the housing market in the regions in which the Group chooses to operate	Inability to realise maximum value in a timely fashion Adverse effect on land values Adverse effect on the timing of sales	The Group ensures that its sites are in good locations thus providing some protection against any downturn in the market
Personnel	Loss of/inability to source high calibre, experienced staff	The Group would have difficulty growing the business in the highly competitive markets in which it operates	The Group maintains good morale in the work place and sets remuneration packages at attractive levels
Interest rates	Significant upward changes in interest rates	May affect residential land prices as the demand for residential property would be affected Would lead to increased borrowing costs and thus have a detrimental effect on profit	The Group mitigates any adverse exposure to interest rate changes by controlling its gearing and if necessary, by using hedging instruments
Environmental	Unexpected contamination being found on a site	Liabilities in respect of decontamination works or fines for environmental pollution could affect the outcome of a project	The assessment of environmental risk is an important element of the due diligence undertaken when buying land. The Group uses reputable environmental consultancy firms to assist in this area
Regulation	Changes in legislation, government regulations, planning policies and guidelines	May have a detrimental effect on the Group's business	The Group keeps abreast of potential changes in these areas and wherever possible allows for these in appraising its projects
Construction	Cost overruns Material shortages Delays	May adversely impact margins on infrastructure and housebuilding	The Group tries to build strong relationships with subcontractors and projects are reviewed frequently in order to mitigate these risks
Finance	The lack of availability of bank funding	May have an adverse effect on the Group's progress	The Group continues to seek finance from alternative lending sources to improve its liquidity

Directors' report (continued)

Financial risk management objectives and policies

All potential areas of financial risk are regularly monitored and reviewed by the Directors and management. Any preventative or corrective measures are taken as necessary.

The Group uses various financial instruments. These include loans, cash and trade receivables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group also provides finance to Drayton Garden Village Limited as part of its arrangement with that company. The main purpose of this financial instrument is to enhance the Group's return from this project.

The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below.

The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk, credit risk and capital risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Flexibility is achieved by loans and overdraft facilities.

Cash flow fair value interest rate risk

The Group's cash flow interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. All of the Group's borrowings are at variable rates but the Group does not consider the risk to be significant.

Interest rate risk

The Group finances its operations through a mixture of equity and bank and other borrowings. The Group controls the exposure to interest rate fluctuations by ensuring that the level of gearing is maintained at a reasonable level.

Credit risk

The Group's principal financial assets are trade and other receivables, loans to associates and cash and cash equivalents. The Group trades and deals with counterparties after having considered their credit rating. In certain circumstances the Group may seek additional security.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital in relation to overall financing. Further information can be found in note 27 to the Group financial statements.

Directors and their interests

Each of the Directors listed on pages 26 and 27 held office as at 30 June 2012. The Directors of the Company and their respective beneficial interests (including that of their respective families) in the shares of the Company as at 30 June 2012 were as follows:

	As at 30 June 2012			As at 30 June 2011		
	Number of ordinary shares	**Number of deferred shares**	**Number of share options**	Number of ordinary shares	Number of deferred shares	Number of share options
Ordinary Shares						
S D Wicks	**16,237,332**	**490**	**1,500,000**	20,179,732	490	1,500,000
N Malde	**11,072,400**	**392**	**1,500,000**	10,905,000	392	1,500,000
P Brett	**3,444,214**	**98**	**1,100,000**	3,374,214	98	1,100,000
T Roydon	**325,000**	**—**	**—**	250,000	—	—
S Bennett	**110,000**	**—**	**—**	50,000	—	—

S Wicks and N Malde are retiring by rotation in accordance with the Company's Articles of Association and have offered themselves for re-election.

No share options were exercised in the period. Further information on share options can be found in note 21 to the Group financial statements.

Directors' emoluments

The remuneration of the individual Directors was:

	2012							2011
	Salary/fees £000	**Bonus £000**	**Benefits £000**	**Pension £000**	**Total remuneration £000**	**Social security costs £000**	**Total remuneration & social security £000**	Total renumeration & social security £000
Executive Directors								
S D Wicks	315	115	28	—	**458**	61	**519**	368
N Malde	263	115	25	50	**453**	53	**506**	360
P Brett	179	16	11	18	**224**	27	**251**	232
Non-executive Directors								
T Roydon	38	—	—	—	**38**	—	**38**	30
S Bennett	30	—	—	—	**30**	—	**30**	25

P Brett was appointed to the Board on 3 October 2011. His salary, benefits and pension are included above for 2011 and 2012 for ease of reference. P Brett was considered to be key management up until his appointment.

Qualifying third party indemnity provision

During the financial year, a qualifying third party indemnity provision for the benefit of all the Directors was in force.

Directors' report (continued)

Substantial shareholding

As at 25 October 2012, the Company was aware of the following holdings in addition to those of the Directors discussed above, of 3% or more of the nominal value of the Company's shares:

Name	Shareholding	%
M H Dixon	24,000,000	13.11
Karoo Investment Fund SCA SICAV SIF	22,700,000	12.40
A K Brett	11,500,000	6.28
Henderson Global Investors Limited	10,098,143	5.52
Unique Limited	5,652,329	3.09

Employee involvement

The Group places considerable value on the involvement of its employees and keeps them informed of all relevant matters on a regular basis. The Group is an equal opportunities employer and all applications for employment are considered fully on the basis of suitability for the job.

Charitable and political contributions

Donations to charitable organisations amounted to £23,000 (2011: £11,000). These donations were made to a number of different charities supporting a broad range of causes. There were no political donations made during the year (2011: £nil).

Payment policy and practice

The Group's policy is for all companies within the Group to agree terms and conditions with their suppliers. Payments are then generally made on the basis of this agreement, providing the suppliers conform to the terms and conditions stipulated. At 30 June 2012 the Group had an average of 93 days' (2011: 62 days') purchases outstanding in trade payables.

Corporate governance

The Directors recognise the importance of sound corporate governance and the guidelines set out in the UK Corporate Governance Code 2010. Whilst AIM companies are not obliged to comply with the Code, the Directors intend to comply with the Code so far as is appropriate having regard to the size and nature of the various companies making up the Group. The Board will take such measures so far as considered appropriate for the Group to comply with the Code and in addition, the Quoted Companies Alliance (QCA) Guidelines for AIM Companies.

Board composition

The Group is managed through its Board of Directors. The Board comprises the Non-executive Chairman, one other Non-executive Director, the Chief Executive, Finance Director and a Land Director (appointed 3 October 2011). The Board's main roles are to create value for the shareholders, to approve the Group's strategic objectives and to ensure that the necessary financial and other resources are made available to enable them to meet these objectives.

Specific responsibilities reserved to the Board include: setting Group strategy; reviewing operational and financial performance; approving certain land acquisitions; approving appointments to the Board; and approving policies relating to Directors' and senior management's remuneration. In addition the Board reviews the risk profile of the Group and ensures that an adequate system of internal control is in place.

The roles of the Chairman and the Chief Executive are separate. The Chairman is responsible for running the Board and he meets the Chief Executive and the other Non-executive Director separately as and when required to discuss matters of the Board.

One-third of the Directors retire annually by rotation in accordance with the Company's Articles of Association and this enables the shareholders to decide on the election of their Company's Board.

Audit committee

The audit committee comprises Terry Roydon (Chairman) and Simon Bennett. The audit committee meets at least three times a year and is responsible for ensuring that the financial performance of the Group is properly reported and monitored and for meeting the auditor and reviewing their reports in relation to the financial statements and internal control systems. The Group's auditor provides some non-audit services, but these are not considered to threaten their independence. The committee reviews the level of non-audit fees on an annual basis. The audit committee meetings are also attended by invitation by representatives of the Group's auditor, the Finance Director and the Chief Executive.

Since 30 June 2011 the audit committee has met four times to consider the planning of the statutory audit and to review the Group's draft half and full year results prior to Board approval and to consider the external auditor's detailed reports thereon.

Remuneration committee

The remuneration committee comprises Simon Bennett (Chairman) and Terry Roydon. The principal functions of the committee are to determine the Group's policy on the remuneration of the Executive Directors and senior management and to determine the remuneration package of each Executive Director. The committee also determines the allocation of share options to the Executive Directors and other employees. The remuneration committee meetings are also attended by invitation by the Chief Executive. During the year the committee met once to review the Executive Directors' remuneration package.

The Directors comply with Rule 21 of the AIM Rules relating to Directors' dealings and take all reasonable steps to ensure compliance by the Company's applicable employees. The Company has adopted and operates a share dealing code for Directors and employees in accordance with the AIM Rules.

Internal controls

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets and for reviewing its effectiveness. Such a system is designed to manage, but not eliminate, the risk of failure to achieve business objectives. There are inherent limitations in any control system and accordingly even the most effective system can provide only reasonable, not absolute, assurance against material misstatement or loss.

The Board reviews the effectiveness of the Group's system of internal control on an ongoing basis. Annual budgets are prepared and detailed management reports are presented to the Board and used to monitor financial performance and compliance with the Group's policies and procedures. All controls are covered including financial and operational controls to manage risk. The Board meetings are also used to consider the Group's major risks.

Relations with shareholders

The Company has institutional shareholders and is, where practicable, willing to enter into a dialogue with them. The Chief Executive and Finance Director meet with institutional investors within the confines of relevant legislation and guidance.

The Board invites communication from its private investors and encourages participation by them at the AGM. All Board members are present at the AGM and are available to answer questions from shareholders.

Internal audit

The Board reviews from time to time the need for an internal audit function and remains of the opinion that the systems of internal financial control are appropriate to the Group's present activities and that such a function is unnecessary.

Directors' report (continued)

Going concern

The Board has reviewed the performance for the current year and forecasts for the future period. It has also considered the risks and uncertainties, including credit risk and liquidity. The Directors have considered the present economic climate, the state of the housing market and the current demand for land with planning consent. The Group has continued to see an increase in demand for consented land in the areas in which it operates. The Group is in discussions for the sale of some of the land within its projects and expects to make sufficient disposals in the foreseeable future to ensure it has adequate working capital for its requirements. The Group is also in discussions with a number of funders to raise debt finance in order to both supplement its working capital and expand its land portfolio. The Directors are satisfied that the Group will generate sufficient cash to meet its liabilities as and when they fall due for a period of twelve months from signing these financial statements. The Directors therefore can consider it appropriate to prepare the financial statements on the going concern basis.

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have to prepare Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as elected by the European Union and have elected to prepare Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed in relation to the Group accounts and applicable UK Accounting Standards have been followed in relation to the Parent Company accounts, 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 will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Post balance sheet events

There are no events subsequent to the balance sheet date that need to be disclosed.

Annual general meeting

The Notice covering the AGM together with the proposed resolutions is contained in the document accompanying this report. The AGM will be held on 27 November 2012.

Auditor

A resolution to reappoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the AGM in accordance with Section 489 of the Companies Act 2006.

By order of the Board

Nishith Malde
COMPANY SECRETARY
25 October 2012

Independent auditor's report

to the members of Inland Homes plc

Independent auditor's report to the members of Inland Homes plc

We have audited the Group financial statements of Inland Homes plc for the year ended 30 June 2012 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Group Statement of Changes in Equity, the Group Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 34, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 1 to the Group financial statements, the Group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Parent Company financial statements of Inland Homes plc for the year ended 30 June 2012.

Robert Napper

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Reading
25 October 2012

Group income statement

for the year ended 30 June 2012

Continuing operations	Note	**2012 £000**	2011 £000
Revenue	6	**6,110**	21,372
Cost of sales	7	**(2,224)**	(15,699)
Gross profit		**3,886**	5,673
Administrative expenses		**(2,679)**	(2,207)
(Loss)/profit on investments		**(145)**	46
Operating profit		**1,062**	3,512
Finance cost – interest expense	9	**(698)**	(577)
Finance cost – notional interest	9	**(115)**	—
Finance income – notional interest	10	**237**	207
Finance income – interest receivable and similar income	10	**87**	131
		573	3,273
Share of profit of associate	14	**307**	132
Reverse impairment of investment in associate	14	**500**	—
Share of profit of joint venture	14	**217**	138
Profit before tax		**1,597**	3,543
Income tax	11	**(838)**	303
Profit for the year		**759**	3,846
Attributable to:			
Equity holders of the Company		**759**	3,846
Earnings per share for profit attributable to the equity holders of the Company during the year			
– basic	12	**0.41p**	2.10p
– diluted	12	**0.41p**	2.07p

The accompanying accounting policies and notes form part of these financial statements.

Group statement of comprehensive income

for the year ended 30 June 2012

	Note	**2012 £000**	2011 £000
Profit for the year	22	**759**	3,846
Other comprehensive income		**—**	—
Total comprehensive income for the year		**759**	3,846

The accompanying accounting policies and notes form part of these financial statements.

Group statement of financial position

at 30 June 2012

	Note	2012 £000	2011 £000
ASSETS			
Non-current assets			
Investment property	13	**8,801**	8,801
Property, plant and equipment	13	**68**	76
Investments	14	**1,114**	1,009
Joint ventures	14	**2,563**	2,401
Investment in associate	14	**822**	96
Receivables due in more than one year	17	**55**	70
Deferred tax	15	**4,275**	4,976
Total non-current assets		**17,698**	17,429
Current assets			
Inventories	16	**43,776**	24,105
Trade and other receivables	17	**2,632**	10,299
Loan to associate	18	**1,000**	1,895
Listed investments held for trading (carried at fair value through profit and loss)	19	**1**	1
Cash and cash equivalents	20	**575**	2,239
Total current assets		**47,984**	38,539
Total assets		**65,682**	55,968
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	21	**18,301**	18,301
Share premium account	22	**30,794**	45,794
Treasury shares	22	**(366)**	(366)
Special reserve	22	**6,059**	—
Retained earnings	22	**(5,382)**	(15,248)
Total equity		**49,406**	48,481
LIABILITIES			
Current liabilities			
Bank loans and overdrafts	28	**1,111**	663
Other loans	28	**5,875**	2,000
Trade and other payables	23	**2,522**	4,824
Other financial liabilities	24	**6,768**	—
Total liabilities		**16,276**	7,487
Total equity and liabilities		**65,682**	55,968

The financial statements were approved and authorised for issue by the Board of Directors on 25 October 2012.

Stephen Wicks
DIRECTOR

Nishith Malde
DIRECTOR

Company number
5482990

The accompanying accounting policies and notes form part of these financial statements.

Group statement of changes in equity

for the year ended 30 June 2012

	Share capital £000	Share premium £000	Treasury shares £000	Special reserve £000	Retained earnings £000	Total £000
At 30 June 2010	18,301	45,806	(366)	—	(19,280)	44,461
Share-based payment	—	—	—	—	186	186
Issue of equity	—	(12)	—	—	—	(12)
Transactions with owners	—	(12)	—	—	186	174
Total comprehensive income for the year	—	—	—	—	3,846	3,846
Total changes in equity	—	(12)	—	—	4,032	4,020
At 30 June 2011	18,301	45,794	(366)	—	(15,248)	48,481
Share-based payment	—	—	—	—	166	166
Capital reduction	—	(15,000)	—	6,059	8,941	—
Transactions with owners	—	(15,000)	—	6,059	9,107	166
Total comprehensive income for the year	—	—	—	—	759	759
Total changes in equity	—	(15,000)	—	6,059	9,866	925
At 30 June 2012	**18,301**	**30,794**	**(366)**	**6,059**	**(5,382)**	**49,406**

The accompanying accounting policies and notes form part of these financial statements.

Group statement of cash flows

for the year ended 30 June 2012

	Note	2012 £000	2011 £000
Cash flow from operating activities			
Profit for the year before tax		**1,597**	3,543
Adjustments for:			
– depreciation	13	**38**	38
– share-based compensation		**166**	186
– fair value adjustment for movement in value of DGVL investment		**145**	(30)
– profit on disposal of listed investments		**—**	(16)
– interest expense		**813**	577
– interest and similar income		**(324)**	(338)
– share of profit of associate		**(307)**	(132)
– reverse impairment of investment in associate		**(500)**	—
– share of profit in joint venture		**(217)**	(138)
Changes in working capital (excluding the effects of acquisition):			
– increase in investments		**(250)**	—
– (increase)/decrease in inventories		**(19,672)**	11,046
– decrease/(increase) in trade and other receivables		**7,904**	(4,400)
– decrease/(increase) in receivables due in more than one year		**15**	(70)
– increase/(decrease) in trade and other payables		**4,330**	(3,365)
Net cash (outflow)/inflow from operating activities		**(6,262)**	6,901
Cash flow from investing activities			
Interest received		**87**	131
Purchases of property, plant and equipment	13	**(30)**	(56)
Purchase of investments		**—**	(283)
Sale of investments		**—**	146
Net cash inflow/(outflow) from investing activities		**57**	(62)
Cash flow from financing activities			
Interest paid		**(677)**	(527)
Repayment of borrowings		**—**	(2,410)
New loans		**4,323**	2,000
Costs on issue of ordinary shares during prior year		**—**	(12)
Receipt of loan repayment from associate		**895**	—
Net cash inflow/(outflow) from financing activities		**4,541**	(949)
Net (decrease)/increase in cash and cash equivalents		**(1,664)**	5,890
Net cash and cash equivalents at beginning of year		**2,239**	(3,651)
Net cash and cash equivalents at the end of year		**575**	2,239
Cash and cash equivalents		**575**	2,239

The accompanying accounting policies and notes form part of these financial statements.

Notes to the group financial statements

for the year ended 30 June 2012

1. Accounting policies

The principal accounting policies adopted in the preparation of the Group financial statements are set out below.

Basis of preparation

The Group financial statements have been prepared under the historical cost convention, except for financial instruments and the investment property which are measured at fair value, and in accordance with applicable International Financial Reporting Standards (IFRS) as adopted by the EU and as issued by the International Accounting Standards Board.

The accounting policies that have been applied in the opening Statement of Financial Position have also been applied throughout all periods presented in these financial statements. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 30 June 2012.

The following new standards are in issue and have had no effect on these statements:

- IAS 24 (Revised 2009): Related Party Disclosures (effective 1 January 2011);
- IFRIC 14 (Amendment): Pre-payments of a Minimum Funding Requirement (effective 1 January 2011); and
- Improvements to IFRS issued May 2010 (some changes effective 1 July 2010, others effective 1 January 2011).

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

Consolidation Standards

A package of consolidation standards are effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

IFRS 10 Consolidated Financial Statements (IFRS 10)

IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements (IAS 27) and SIC 12 Consolidation – Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

IFRS 11 Joint Arrangements (IFRS 11)

IFRS 11 supersedes IAS 31 Interests in Joint Ventures (IAS 31). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, IAS 31's option of using proportionate consolidation for joint ventures has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates.

IFRS 12 Disclosure of Interests in Other Entities (IFRS 12)

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

Consequential amendments to IAS 27 and IAS 28 Investments in Associates and Joint Ventures (IAS 28). IAS 27 now only deals with separate financial statements. IAS 28 brings investments in joint ventures into its scope. However, IAS 28's equity accounting methodology remains unchanged.

1. Accounting policies (continued)

Standards in issue but not yet effective

- IFRS 9: Financial Instruments (effective 1 January 2013);
- IAS 19 (Revised) Employee Benefits (effective 1 January 2013); and
- IFRS 13 Fair Value Measurement (effective 1 January 2013).

None of these standards will have an impact on the Group's financial statements.

Basis of consolidation

The Group's financial statements consolidate the financial statements of the Company and all of its subsidiary undertakings drawn up to 30 June 2012. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiaries are dealt with by the acquisition method. The method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the Group Statement of Financial Position at their fair values, which are also used as the basis for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of the fair value of the consideration transferred over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Going concern

The Board has reviewed the performance for the current year and forecasts for the future period. It has also considered the risks and uncertainties, including credit risk and liquidity. The Directors have considered the present economic climate, the state of the housing market and the current demand for land with planning consent. The Group has continued to see an increase in demand for consented land in the areas in which it operates. The Group is in discussions for the sale of some of the land within its projects and expects to make sufficient disposals in the foreseeable future to ensure it has adequate working capital for its requirements. The Group is also in discussions with a number of funders to raise debt finance in order to both supplement its working capital and expand its land portfolio. The Directors are satisfied that the Group will generate sufficient cash to meet its liabilities as and when they fall due for a period of twelve months from signing these financial statements. The Directors therefore can consider it appropriate to prepare the financial statements on the going concern basis.

Associates

Associates are those entities over which the Group has significant influence through Board representation but which are neither subsidiaries nor interests in joint ventures. Investments in associates are recognised initially at cost and subsequently accounted for using the equity method. Acquired investments in associates are also subject to acquisition method accounting. However, any goodwill or fair value adjustment attributable to the share in the associate is included in the amount recognised as investment in associates.

All subsequent changes to the share of interest in the equity of the associate are recognised in the Group's carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are reported in 'share of profits of associates' in the Group Income Statement and therefore affect net results of the Group. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of assets and liabilities.

Notes to the group financial statements (continued)

for the year ended 30 June 2012

1. Accounting policies (continued)

Associates (continued)

Items that have been recognised by the associate in Other Comprehensive Income are recognised in Other Comprehensive Income. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Joint ventures

Investments in joint ventures are recognised initially at cost and subsequently accounted for using the equity method.

All subsequent changes to the share of interest in the equity of the joint venture are recognised in the Group's carrying amount of the investment. Changes resulting from the profit or loss generated by the joint venture are reported in 'share of profits of joint venture' in the Group Income Statement and therefore affect net results of the Group. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of assets and liabilities.

Revenue

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied, excluding VAT and trade discounts.

Sale of land

Revenue from the sale of land is recognised when all the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods which is generally when contracts have been completed;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the land sold which is generally when the contract has been completed;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sale of residential units

Turnover is recognised on legal completion, which is generally when the title passes.

Fee income

The Group provides planning and property management services to third parties for a fee. The Group recognises revenue based on the fair value and stage of completion of the planning and property management services provided to these customers as at the period end, in accordance with IAS 18.

Interest

Interest is recognised using the effective interest method which calculates the amortised cost of a financial asset and allocates the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

1. Accounting policies (continued)

***Revenue** (continued)*

Rental income

Rental income derived from operating leases is recognised on a straight line basis over the lease term.

Dividends

Dividends are recognised when the shareholders' right to receive payment is established.

Property, plant and equipment

Property, plant and equipment is stated at cost or valuation, net of depreciation and any provision for impairment.

Disposal of assets

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the income statement. Any revaluation surplus remaining in equity on disposal of the asset is transferred to the profit and loss reserve.

Depreciation

Depreciation is calculated to write down the cost less estimated residual value of all property, plant and equipment by the straight line method where it reflects the basis of consumption of the asset. The rates generally applicable are:

Fixtures and fittings	–	25%
Office equipment	–	25%
Motor vehicles	–	25%
Leasehold property	–	over shorter of lease term and useful economic life

Material residual value estimates are updated as required, but at least annually, whether or not the asset is revalued.

Investment property

Investment properties are measured at cost and are reviewed annually for impairment. Any gain or loss resulting from the sale of an investment property is immediately recognised in profit or loss. An investment property shall be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Inventories

Inventories consist of land and work in progress and are valued at the lower of cost and net realisable value. Net realisable value is estimated based upon the future expected selling price, less estimated costs to sell.

Impairment testing of property, plant and equipment

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset. If the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined for the cash-generating unit to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognised in the Group Income Statement in those expense categories consistent with the function of the impaired asset.

Notes to the group financial statements (continued)

for the year ended 30 June 2012

1. Accounting policies (continued)

Impairment testing of property, plant and equipment (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Taxation

Current tax is the tax currently payable based on taxable profit for the period.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Temporary differences include those associated with shares in subsidiaries and joint ventures unless reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the year end date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Group Income Statement except where they relate to items that are recognised in other comprehensive income (such as the revaluation of the investment property not included in inventories) or directly in equity in which case the related deferred tax is also recognised in other comprehensive income or equity respectively.

Leased assets

Lease payments (excluding costs for services such as insurance and maintenance) applicable to operating leases where substantially all the benefits and risks of ownership remain with the lessor are recognised as an expense on a straight line basis over the lease term.

Employee benefits

Defined contribution pension scheme

The pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period.

Equity-settled share-based payment

All share-based payment arrangements are recognised in the Group financial statements. All goods and services received in exchange for the grant of any share-based payment are measured at their fair values using the Black-Scholes options pricing model. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All equity-settled share-based payments are ultimately recognised as an expense in the Group Income Statement with a corresponding credit to retained earnings.

1. Accounting policies (continued)

Equity-settled share-based payment (continued)

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital and, where appropriate, share premium.

Financial assets

Financial assets are divided into the following categories: loans and receivables; financial assets at fair value through profit or loss; and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired.

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets other than those categorised as at fair value through profit and loss are initially recognised at fair value plus finance costs. Financial assets categorised as at fair value through profit or loss are recognised initially at fair value with transaction costs expensed through the Group Income Statement.

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity as at fair value through profit or loss upon initial recognition. Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in the Group Income Statement. Financial assets originally designated as financial assets at fair value through profit or loss may not be re-classified subsequently.

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's available-for-sale financial assets include listed securities.

All financial assets within this category are subsequently measured at fair value with changes in value recognised in Other Comprehensive Income. Gains and losses arising from financial instruments classified as available-for-sale are initially recognised in Other Comprehensive Income then re-classified from equity to profit or loss when they are sold.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables and loans to associate are classified as loans and receivables. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the Group Income Statement.

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Interest and other cash flows resulting from holding financial assets are recognised in the Group Income Statement, regardless of how the related carrying amount of financial assets is measured.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire, or the financial asset is transferred and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group retains the contractual rights to receive the cash flows of the asset, but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

Notes to the group financial statements (continued)

for the year ended 30 June 2012

1. Accounting policies (continued)

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument.

All financial liabilities are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the Group Income Statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the Group Income Statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Financial liabilities are categorised as at fair value through profit or loss where they are classified as held-for-trading or designated as at fair value through profit or loss on initial recognition (including deferred purchase consideration). Financial liabilities are designated as at fair value through profit or loss where they eliminate or significantly reduce a measurement (or recognition) mismatch.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Dividends

Dividend distributions payable to equity shareholders are included in other short term financial liabilities when the dividends are approved in a general meeting prior to the year end date.

Equity

An equity instrument is a contract which evidences a residual interest in the assets after deducting all liabilities. Equity comprises the following:

- 'Share capital' represents the nominal value of equity shares;
- 'Share premium' represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue;
- 'Treasury shares' represent the purchase of the Company's own shares and are deducted from total equity as treasury shares until they are sold or cancelled where such shares are subsequently sold or re-issued, any consideration received is included in total equity;
- 'Special reserve' represents the surplus created by the transfer of an amount from the share premium to rectify the deficit on the profit and loss reserve; and
- 'Profit and loss reserve' represents retained profits.

2. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk; liquidity risk; cash flow risk; and fair value interest-rate risk. The Group's overall risk management programmes focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out centrally under policies approved by the Board of Directors.

(a) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the year end date, as summarised below:

	2012 £000	2011 £000
Classes of financial assets – carrying amounts		
Listed investments held for trading	**1**	1
Loan to associate	**1,000**	1,895
Cash and cash equivalents	**575**	2,239
Trade and other receivables	**2,632**	10,299
Receivables due in more than one year	**55**	70
	4,263	14,504

The Group's policy is to deal with creditworthy counterparties.

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality.

Some of the Group's financial assets are secured by collateral.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality credit ratings.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash balances and ensuring availability of funding through an adequate amount of credit facilities. The Group aims to maintain flexibility in funding by keeping credit lines available. The Group also purchases property under deferred consideration arrangements.

(c) Cash flow interest rate risk

The Group's cash flow interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. All the Group's borrowings are at variable rates but the Group does not consider the risk to be significant.

3. Segment information

In accordance with IFRS 8, information is disclosed to enable users of financial statements to evaluate the nature and financial effects of the business activities in which the Group engages.

In identifying its operating segments, management differentiates between land sales, housebuilding, fee income and other income. These segments are based on the information reported to the chief operating decision maker. An analysis of the Group's results by segment are disclosed in note 6.

Notes to the group financial statements (continued)

for the year ended 30 June 2012

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Valuation of inventories

In applying the Group's accounting policy for the valuation of inventories the Directors are required to assess the expected selling price and costs to sell each of the plots or units that constitute the Group's land bank and work in progress. Estimation of the selling price is subject to significant inherent uncertainties, in particular the prediction of future trends in the market value of land.

Whilst the Directors exercise due care and attention to make reasonable estimates taking into account all available information in estimating the future selling price, the estimates will, in all likelihood, differ from the actual selling prices achieved in future periods and these differences may, in certain circumstances, be very significant. The critical judgement in respect of planning consent (see below) further increases the level of estimation uncertainty in this area.

(b) Income taxes

The Group recognises tax/deferred tax assets and liabilities for anticipated tax based on estimates of when the tax/deferred tax will be paid or recovered. When the final outcome of these matters is different from the amounts initially recorded, such differences impact the period in which the determination is made.

(c) Fair value of derivatives and other financial instruments

The fair value of instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing.

(d) Investment properties

Properties are classified as investment properties if there are significant rentals and the intention is to hold those properties for a significantly longer time than inventory property, i.e. not for sale in the ordinary course of business.

(e) Discounting on deferred consideration of inventories

The Group discounts deferred consideration of inventories by discounted cash flow method, using the cost of debt capital as the discount rate.

Critical judgements in applying the entity's accounting policies

Inventories

The Group values inventories at the lower of cost and net realisable value. The net realisable value is based on the judgement of the probability that planning consent will be given for each site. The Group believes that, based on the Directors' experience, planning consent will be given. If planning consent was not achieved then a provision may be required against inventories.

4. Critical accounting estimates and judgements (continued)

***Critical judgements in applying the entity's accounting policies** (continued)*

Investments

The Group has entered into a Development Services Agreement with DGVL. The Directors have considered the requirements of IAS 27 'Consolidated and separate financial statements' (revised 2008) and 'SIC 12 Consolidation – special purpose entities' and do not believe that the Group has the power to control DGVL. DGVL makes its own decisions regarding the development of the site even though the director of DGVL receives property advice to consider and property services from the Group. The Directors also consider that the Group does not have the decision making powers to obtain the majority of the benefits and the risks of the activities of DGVL as the shareholder of DGVL maintains control as to whether he finances the deferred land consideration payments. The key requirement in influencing Inland's profit share is the basis on which deferred consideration is satisfied. This is at the discretion of the DGVL director and hence he can improve his profit share, or allow Inland to arrange the funding. Therefore the Directors do not believe that DGVL should be consolidated within the Group's financial statements.

The Group is entitled to receive a fee for the provision of planning application services, assistance in obtaining statutory and third party consents, assistance in entering into development and construction agreements, assistance in achieving sales, assistance in engaging professional advisors, seeking opportunities to generate interim revenues and the potential provision of finance to DGVL in respect of the site known as Drayton Garden Village. Under the agreement the Group has the potential to earn up to 90% of the profits realised from the sale of the property over the life of the project.

The Group's relationship with DGVL is further explained in note 14 and balances in note 17.

Because the final decision on the financial and operational activities of DGVL resides with the director of DGVL, the Directors of Inland Homes plc do not consider that they have significant influence over DGVL and therefore DGVL is not considered to be an associate or a subsidiary undertaking.

At 30 June 2012 the funding arrangements in place for the satisfaction of deferred consideration entitled Inland to 60.51% of the profits expected to be realised from the sale of the property over the life of the project. In accordance with the Option and Development Services Agreement with DGVL (The Agreement), 53.55% of the total profits would be due to the Group for the provision of planning application and property management services completed at the balance sheet date and this has to be accounted for under IAS 18. 6.96% of the profits would be due to the Group for the provision of finance to DGVL and would be accounted for under IAS 39 as notional interest income.

In calculating the fee for the provision of planning application and property services to DGVL recognised in the year, under IAS 18 the Group has estimated the following:

- total profits (total expected sales less total estimated development costs to completion) to be realised from the sale of the property;
- profits would be realised over six years from 1 July 2010;
- percentage, where the stage of completion is an appropriate basis for evaluating fair value, of planning application and property services provided to DGVL as at the period end with the balance to be provided over the remaining life of the project (i.e. in future accounting periods); and
- the fair value of completed service components at the year end.

During the year ended 30 June 2012 the Group has recognised £3.65m (2011: £3.77m) in revenue within the Group Income Statement for such services to DGVL.

In calculating the fee for the provision of finance to DGVL, under IAS 39 the Group has estimated the following:

- total profits (total expected sales less total estimated development costs to completion) to be realised from the sale of the property; and
- profits would be realised over six years from 1 July 2010.

Notes to the group financial statements (continued)

for the year ended 30 June 2012

4. Critical accounting estimates and judgements (continued)

Critical judgements in applying the entity's accounting policies *(continued)*

Investments (continued)

Under IAS 39 the Group has a choice as to how to account for the asset. The Directors consider the most appropriate classification for the asset to be 'loans and receivables' due to the underlying asset being a 'non derivative' financial asset with fixed or determinable payments. The effective interest rate method has been applied in calculating the income in the period. See Note 17.

During the year ended 30 June 2012 the Group has recognised £0.24m (2011: £0.24m) within notional interest income in the Group Income Statement in respect of such fees.

The tables below show the revenue and notional interest recognised by Inland under IAS 18 and IAS 39 in comparison to the results recognised by DGVL on its sales:

	2012 £000	2011 £000	Cumulative £000
Total revenue and notional interest recognised under IAS 18 and 39	**3,885**	4,017	7,902

	2012 £000	2011 £000	Cumulative £000
Total revenue and notional interest recognised under IAS 18 and 39	**3,885**	4,017	7,902
Land sales in DGVL (unaudited)			
Plots sold	**118**	148	266
Revenue (£000)	**8,460**	15,186	24,846
Gross profit (£000) as per DGVL's draft accounts	**2,801**	5,378	8,179
Inland's share of gross profit at 60.51% (2011: 58.19%) (£000)	**1,820**	3,130	4,950

5. Exceptional costs

The Group conducted a review of the net realisable value of its land bank in view of current market conditions. Where the estimated future net realisable value of the site is less than the carrying value within the Group Statement of Financial Position, the Group has impaired the land value. This has resulted in an impairment of £nil (2011: £0.9m) during the year.

6. Income and segmental analysis

The Group generates income by way of land sales. It also generates income from housebuilding, fees from planning and property management services and other related services. These operating segments are monitored and strategic decisions are made on the basis of segment operating results. The segmental analysis of operations is as follows:

6. Income and segmental analysis (continued)

Segmental analysis by activity

2011	Revenue £000	Cost of sales £000	Gross profit £000	Admin costs £000	Other £000	Operating profit £000	Finance (cost)/ income £000	Other £000	Profit before tax £000
Segment									
Land sales	9,399	(8,724)	675	—	—	675	(35)	—	640
Housebuilding	7,324	(6,629)	695	—	—	695	—	—	695
Fee income	3,975	—	3,975	—	—	3,975	242	—	4,217
Rental income	374	(14)	360	—	—	360	—	—	360
Other property sale	300	(332)	(32)	—	—	(32)	—	—	(32)
Other									
-Profit on investments	—	—	—	—	46	46	—	—	46
-Share of profit of associate	—	—	—	—	—	—	—	132	132
-Share of profit of joint venture	—	—	—	—	—	—	—	138	138
-Unallocated	—	—	—	(2,207)	—	(2,207)	(446)	—	(2,653)
	21,372	(15,699)	5,673	(2,207)	46	3,512	(239)	270	3,543

2012									
Segment									
Land sales	—	(554)	**(554)**	—	—	**(554)**	(115)	—	**(669)**
Housebuilding	1,708	(1,475)	**233**	—	—	**233**	—	—	**233**
Fee income	3,885	(166)	**3,719**	—	—	**3,719**	237	—	**3,956**
Rental income	322	(29)	**293**	—	—	**293**	—	—	**293**
Other property sale	195	—	**195**	—	—	**195**	—	—	**195**
Other									
-Loss on investments	—	—	**—**	—	(145)	**(145)**	—	—	**(145)**
-Share of profit of associate	—	—	**—**	—	—	**—**	—	307	**307**
-Reverse impairment of investment in associate	—	—	**—**	—	—	**—**	—	500	**500**
-Share of profit of joint venture	—	—	**—**	—	—	**—**	—	217	**217**
-Unallocated	—	—	**—**	(2,679)	—	**(2,679)**	(611)	—	**(3,290)**
	6,110	**(2,224)**	**3,886**	**(2,679)**	**(145)**	**1,062**	**(489)**	**1,024**	**1,597**

All activities arose solely in the United Kingdom.

Transactions with customers making up 10% or more of revenue	**2012 £000**	2011 £000
Land sales customer 1	**—**	2,347
Land sales customer 2	**—**	5,000
Fee income customer 3	**3,452**	3,930
	3,452	11,277

Notes to the group financial statements (continued)

for the year ended 30 June 2012

6. Income and segmental analysis (continued)

***Segmental analysis by activity** (continued)*

	2012 £000	2011 £000
Segment assets		
Land:		
Non-current assets – investment property	**8,801**	8,801
Non-current assets – deferred tax	**4,275**	4,976
Current assets – inventories	**35,901**	22,294
Current assets – other	**35**	151
	49,012	36,222
Housebuilding:		
Non-current assets – deposit match debtor	**55**	70
Current assets – inventories	**7,875**	1,811
Current assets – other	**9**	8
	7,939	1,889
Fees:		
Non-current assets – investment	**1,114**	1,009
Current assets – debtor	**1,507**	9,034
Current assets – other	**808**	848
	3,429	10,891
Other:		
Non-current assets – investments	**3,385**	2,497
Non-current assets – other	**68**	76
Current assets – loan to associate	**1,000**	1,895
Current assets – other	**274**	259
Cash	**575**	2,239
	5,302	6,966
Total segmental and entity assets	**65,682**	55,968

6. Income and segmental analysis (continued)

***Segmental analysis by activity** (continued)*

	2012 £000	2011 £000
Segment liabilities		
Land:		
Current liabilities – trade creditors	**460**	204
Current liabilities – loans	**5,875**	2,000
Current liabilities – deferred consideration	**6,768**	—
	13,103	2,204
Housebuilding:		
Current liabilities – trade creditors	**943**	163
Current liabilities – bank loans	**1,111**	663
	2,054	826
Fees:		
Current liabilities – trade creditors	**45**	35
Current liabilities – other creditors	**250**	2,915
Current liabilities – VAT creditors	**—**	1,104
	295	4,054
Other:		
Current liabilities – trade creditors	**88**	62
Current liabilities – other creditors	**736**	341
	824	403
Total segmental and entity liabilities	**16,276**	7,487

Notes to the group financial statements (continued)

for the year ended 30 June 2012

7. Expenses by nature

	Note	2012 £000	2011 £000
Depreciation	13	**38**	38
Operating lease rentals		**68**	76
Auditor's remuneration:			
– audit		**39**	35
– non-audit		**38**	28
Cost of sales		**2,151**	15,699
Other expenses		**2,496**	2,030
Total		**4,830**	17,906
Classified as:			
– cost of sales		**2,151**	15,699
– administrative expenses		**2,679**	2,207
		4,830	17,906

Included within Revenue is rental income from investment property of £10,000 (2011: £374,000).

8. Directors and employees

The employee benefit expense during the year was as follows:

	2012 £000	2011 £000
Wages and salaries	**1,577**	1,197
Social security costs	**191**	145
Pension costs – defined contribution plans	**79**	77
	1,847	1,419

The average number of employees during the year was as follows:

	2012 Number	2011 Number
Management	**4**	4
Administration	**9**	9
	13	13

Remuneration in respect of Directors was as follows:

	2012 £000	2011 £000
Wages and salaries	**821**	604
Bonuses	**246**	—
Social security costs	**141**	74
Fees	**68**	55
Pension costs – defined contribution plans	**68**	50
	1,344	783

8. Directors and employees (continued)

During the year two Directors participated in a money purchase pension scheme. Mr P Brett was appointed to the Board on 3 October 2011. His emoluments and pension are not included in the 2011 comparative on the previous page as he did not serve as a Director during the year to 30 June 2011.

The amounts set out on the previous page include remuneration in respect of the highest paid Director as follows:

	2012 £000	2011 £000
Emoluments	**458**	328

Further information in respect of AIM rules regarding Directors' remuneration disclosures can be found in the Directors and their interests section of the Directors' Report.

Short term employee benefits and share-based payments in respect of key personnel and the Directors was as follows:

	2012 £000	2011 £000
Wages and salaries	**924**	795
Bonuses	**254**	—
Social security costs	**155**	98
Pension costs – defined contribution plans	**66**	67
Share-based payment	**161**	181
	1,560	1,141

Other long term benefits in respect of key personnel and the Directors were as follows:

	As at 30 June 2012		As at 30 June 2011	
	Number of deferred shares	**Number of share options**	Number of deferred shares	Number of share options
Key personnel and Directors	**980**	**4,200,000**	980	4,100,000

9. Finance cost

	2012 £000	2011 £000
Interest expense:		
– bank borrowings	**60**	215
– other loan interest	**454**	161
– deferred land payments	**—**	91
– notional interest on deferred consideration	**115**	—
– costs associated with arrangement of new facilities	**184**	110
	813	577

Notes to the group financial statements (continued)

for the year ended 30 June 2012

10. Finance income

	2012 £000	2011 £000
Other interest receivable	**86**	130
Bank interest receivable	**1**	1
Notional interest	**237**	207
	324	338

11. Income tax

	2012 £000	2011 £000
Tax charge on associate and joint venture profits	**137**	76
Deferred tax charge due to change of corporation tax rate	**382**	—
Deferred tax charge/(credit)	**319**	(379)
	838	(303)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profits of the consolidated companies as follows:

	2012 £000	2011 £000
Profit before tax	**1,597**	3,543
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26% (2011: 28%)	**415**	992
Expenses not deductible for tax purposes	**(77)**	35
Other timing differences	**126**	109
Utilisation of tax losses	**(327)**	(1,439)
Difference between capital allowances and depreciation	**(1)**	—
Tax charge/(credit)	**136**	(303)

12. Earnings and net asset value per share

Basic and diluted EPS

Basic and diluted earnings per share is calculated by dividing the earnings attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	2012	2011
Profit attributable to equity holders of the Company (£000)	**759**	3,846
Net assets attributable to equity holders of the Company (£000)	**49,406**	48,481
Weighted average number of ordinary shares in issue (000)	**182,999**	182,999
Dilutive effect of options (000)	**51**	2,575
Weighted average number of ordinary shares used in determining diluted EPS (000)	**183,050**	185,574
Basic earnings per share in pence	**0.41p**	2.10p
Diluted earnings per share in pence	**0.41p**	2.07p
Net asset value per share in pence	**27.00p**	26.49p

13. Property, plant and equipment

	Investment property £000	Leasehold property £000	Motor vehicles £000	Office equipment £000	Fixtures and fittings £000	Total £000
Cost or fair value						
At 30 June 2010	8,801	5	49	38	61	153
Additions	—	—	—	37	19	56
At 30 June 2011	8,801	5	49	75	80	209
Additions	—	—	—	21	9	30
At 30 June 2012	**8,801**	**5**	**49**	**96**	**89**	**239**
Depreciation						
At 30 June 2010	—	1	25	32	37	95
Depreciation charge	—	1	13	8	16	38
At 30 June 2011	—	2	38	40	53	133
Depreciation charge	—	1	9	15	13	38
At 30 June 2012	**—**	**3**	**47**	**55**	**66**	**171**
Net book value						
At 30 June 2012	**8,801**	**2**	**2**	**41**	**23**	**68**
At 30 June 2011	8,801	3	11	35	27	76
At 30 June 2010	8,801	4	24	6	24	58

All investment property is stated at cost and reviewed annually for impairment.

The investment property was valued by Edward Symmons & Partners in August 2006 in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. Investment property continues to be held by the Group for long-term investment. The property is recorded as an investment property and is valued by the Directors on a deemed cost basis at £8,801,000, which was the fair value of the property on acquisition. The investment property is not depreciated. The Directors do not consider the current fair value to be significantly different to the carrying value.

Notes to the group financial statements (continued)

for the year ended 30 June 2012

13. Property, plant and equipment (continued)

The historical cost of the investment property at 30 June 2012 as noted in Poole Investments plc's (Poole) financial statements is £1,252,000 (2011: £1,252,000).

The direct operating expenses for the period arising from the investment property that generated rental income was £29,000 (2011: £13,000). There are no investment properties that did not generate rental income during the period.

14. Investments

	Associate £000	Option £000	Investment in joint venture £000	Total £000
Cost or fair value				
At 30 June 2010	—	729	2,269	2,998
Additions	—	250	33	283
Share of profit after tax	96	—	99	195
Fair value adjustment	—	30	—	30
At 30 June 2011	96	1,009	2,401	3,506
Additions	—	250	—	250
Share of profit after tax	226	—	162	388
Reverse impairment of investment in associate	500	—	—	500
Fair value adjustment	—	(145)	—	(145)
Movement during the year to 30 June 2012	726	105	162	993
Net book value				
At 30 June 2012	**822**	**1,114**	**2,563**	**4,499**
At 30 June 2011	96	1,009	2,401	3,506

In December 2005, Inland Homes plc invested £200,000 in its associate, Howarth Homes plc and in return received ordinary shares amounting to 10% of the issued share capital of Howarth. In January 2008, Inland Homes plc made a further investment of £359,000 in Howarth to increase its interest to 15% of the issued share capital of Howarth. Inland Homes plc also subscribed for £800,000 convertible loan stock which was converted on 31 July 2009 into 864,583 ordinary shares, thus increasing Inland's interest to 33% of the issued share capital of Howarth. A provision of £1,426,000 was made against the equity investment in Howarth and the convertible loan stock during the year ended 30 June 2009. During the year ended 30 June 2012 £226,000 (2011: £96,000) was recognised in the Group Income Statement, being the Group's 33% share of profits after tax reported by Howarth. Howarth have made profits over the last 2 financial years and expect to continue to do so. Accordingly, the Directors have reviewed the valuation of the investment on the fair value less costs to sell basis and concluded that a £500,000 reversal of the impairment is required, based on an indicative offer received during the year.

On 18 December 2008, Inland entered into an Option and Development Services Agreement with Drayton Garden Village Limited which granted Inland Limited an option for a consideration of £250,000 to purchase the share capital of DGVL at an exercise price of £1. The initial period of the option was for one year from the date of the agreement and this can be extended on up to four occasions to a maximum period of ten years by making further payments. During the years ended 30 June 2010, 2011 and 2012, the option period was extended by a further period of three years in consideration of £750,000. In accordance with the Group's accounting policy for financial assets, the option has been measured at fair value at 30 June 2012, which resulted in a fair value loss of £145,000 (2011: gain of £30,000) that has been recognised in the Group Income Statement, resulting in the option being valued at £259,000 over and above the actual consideration paid for the option. The option is not currently exercisable and only becomes exercisable when the development owned by DGVL is completed.

14. Investments (continued)

During the year ended 30 June 2010, the Group entered into a joint venture with Howarth for the development of 51 units at a site in Croxley Green, Hertfordshire in a company called Harvey Road (Rickmansworth) Limited. The Group has invested £2,302,000 (2011: £2,302,000). Although Howarth owns 100% of the issued share capital of Harvey Road (Rickmansworth) Limited, Inland Directors constitute 50% of the Board of Directors and therefore control 50% of the entity and Inland is entitled to 50% of the profits made by the entity. The Group's 50% share of the profits after tax for the period to 30 June 2012 amounts to £162,000 (2011: £99,000) that has been recognised in the Group Income Statement.

At 30 June 2012 the Company held or potentially held 10% or more of the equity of the following:

Company name	Country of registration	Principal activity	Holding	Class of shares
Inland Limited	England & Wales	Real estate development	100%	Ordinary
Poole Investments plc	England & Wales	Real estate investment	100%	Ordinary
Inland Housing Limited	England & Wales	Real estate development	100%	Ordinary
Inland Finance Limited	England & Wales	Provision of alternative finance	100%	Ordinary
Inland Developments Limited	England & Wales	Real estate development	100%	Ordinary
Inland Homes (Essex) Limited	England & Wales	Real estate development	100%	Ordinary
Inland Homes Developments Limited	England & Wales	Real estate development	100%	Ordinary
Howarth Homes plc	England & Wales	Housebuilder	33%	Ordinary

The Group's share of the results and its share of assets of its associate for the period to 31 May 2012 are as follows:

Name	Country of incorporation	Assets £000	Liabilities £000	Revenue £000	Profit after tax £000	% held
Howarth Homes plc	England & Wales	3,581	2,736	6,549	155	33

The financial statements of Howarth are prepared to 31 July each year. The Group has used the management accounts of Howarth for the period to 31 May 2012 to account for its share of results.

15. Deferred tax

The net movement on the deferred tax account is as follows:

	£000
At 1 July 2011	4,976
Deferred tax charge due to change of corporation tax rate	(382)
Income statement charge	(319)
At 30 June 2012	**4,275**

The movement in deferred tax assets is as follows:

	Accelerated tax depreciation £000	Losses £000	Other £000	Total £000
At 1 July 2011	(2)	4,095	883	4,976
Charged to income statement	(1)	(688)	(12)	(701)
At 30 June 2012	**(3)**	**3,407**	**871**	**4,275**

Notes to the group financial statements (continued)

for the year ended 30 June 2012

15. Deferred tax (continued)

The deferred tax asset is recoverable as follows:

	2012 £000	2011 £000
Deferred tax asset to be recovered after twelve months	**2,724**	3,225

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has capital losses amounting to £20,449,000 (2011: £20,449,000) that have not been recognised as the Directors consider the realisation of the losses is not expected to crystallise in the future.

16. Inventories

	2012 £000	2011 £000
Stock and work in progress	**43,776**	24,105

During the year a total of £2,151,000 (2011: £15,699,000) of inventories was included in the Group Income Statement as an expense. The Group conducted a review of the net realisable value of its land bank in view of current market conditions. Where the estimated future net realisable value of the site is less than the carrying value within the Group Statement of Financial Position, the Group has impaired the land value. This has resulted in an impairment of £nil (2011: £0.9m). Included in the value of inventories above is £15.2m (2011: £8.1m) which is carried at fair value less costs to sell (net realisable value). The amount of inventories pledged as security against borrowings is £23.8m (2011: £9.6m).

17. Trade and other receivables

	2012 £000	2011 £000
Prepayments and accrued income	**891**	1,073
Other receivables	**1,741**	9,226
Other receivables due in more than one year	**55**	70
	2,687	10,369

The carrying value of trade and other receivables is considered a reasonable approximation of fair value. No trade receivables are considered to be impaired. There were no unimpaired trade receivables that were past due at the reporting date.

Other receivables includes an amount of £1,507,000 (2011: £5.0m) accrued in respect of costs and sales invoices that will be reimbursed by DGVL. The carrying value is considered a reasonable approximation of fair value.

Other receivables also includes an amount of £nil (2011: £3.2m) lent to DGVL in respect of financing arrangements referred to in Note 4 ‘Critical judgements in applying the entities accounting policies’.

All of the Group’s trade and other receivables have been reviewed for indicators of impairment.

18. Loan to associate

	2012 £000	2011 £000
Advances to associate	**1,000**	1,895

The Company has granted a secured rolling facility of up to £2,000,000 to its associate.

19. Listed investments held for trading

	£000
At 1 July 2011	1
Movements during the year	—
At 30 June 2012	**1**

20. Cash and cash equivalents

	2012 £000	2011 £000
Cash at bank and in hand	**575**	2,239

21. Share capital

	2012 £000	2011 £000
Authorised		
239,990,000 (2011: 239,990,000) ordinary shares of 10p each	**23,999**	23,999
1,000 (2011: 1,000) redeemable shares of £1 each	**1**	1
	24,000	24,000

	2012 £000	2011 £000
Allotted, issued and fully paid		
182,999,484 (2011: 182,999,484) ordinary shares of 10p each	**18,300**	18,300
980 (2011: 980) redeemable shares of £1 each	**1**	1
180 (2011: 180) deferred shares of 10p each	**—**	—
	18,301	18,301

The Company currently holds 1,325,000 (2011: 1,325,000) of its own shares in treasury.

Notes to the group financial statements (continued)

for the year ended 30 June 2012

21. Share capital (continued)

The redeemable shares are not entitled to receive any dividends and carry one vote per share in general meetings. On a return of capital, the holders of redeemable shares will receive £1 per share unless the conditions described below are met, in which event the entitlement of holders of redeemable shares will be enhanced as described below.

In the event that: (i) the return to holders of ordinary shares (calculated as dividends received, together with the increase in share price over 50p exceeds 10% per annum compounded annually); and (ii) the relevant holder of redeemable shares has not voluntarily ceased to be employed by or engaged to provide services to the Company or any Group company or been dismissed for cause then the following provisions will apply:

i. on a takeover (including a takeover effected by a scheme of arrangement) the holders of the redeemable shares will become entitled to redeem their shares at a price which is calculated so as to attribute to all the redeemable shares the difference between the takeover offer price per share and 35p multiplied by 11,123,494; or

ii. on a winding up, the assets attributable to the redeemable shares will likewise be calculated to be such amount as would represent the difference between the amount attributable to each ordinary share and 35p multiplied by 11,123,494.

According to the Company's Articles of Association, the redeemable shares can convert into deferred shares of 10p each. The deferred shares shall not confer the right to be paid a dividend or to receive notice of or attend or vote at a general meeting. On a winding up, after the distribution of the first £10,000,000 of the assets of the Company, the holders of the deferred share (if any) shall be entitled to receive an amount equal to the nominal value of such deferred shares pro rata to their respective holdings.

The Company operates an unapproved share option scheme. Awards under each scheme are made periodically to employees. Share options vest three years after the date of grant and have an exercise period of seven years. The schemes are all cash-settled.

The Company has used the Black-Scholes formula to calculate the fair value of outstanding options and deferred shares. The assumptions applied to the Black-Scholes formula for share options issued and the fair value per option are as follows:

	Share options 2011/12 grant	Share options 2010/11 grant	Share options 2009/10 grant	Redeemable shares
Expected life of options based on options exercised to date	3 years	3 years	3 years	5 years
Volatility of share price	67%	76%	69%	30%
Dividend yield	0%	0%	0%	0%
Risk free interest rate	2.05%	2.05%	2.11%	5.38%
Share price at date of grant	17.5p	18.5p	16.5p	35.0p
Exercise price	17.5p	18.5p	16.5p	35.0p
Fair value per option	£0.05	£0.09	£0.05	£0.07

The charge calculated for the year ended 30 June 2012 is £166,000 with a corresponding deferred tax asset at that date of £43,000.

Volatility was assessed using the closing prices on the first business day of each month over the period since the shares have been listed.

A reconciliation of option movements over the year ended 30 June 2012 is shown below:

21. Share capital (continued)

A reconciliation of option movements over the year ended 30 June 2012 is shown below:

	Number 000s	Exercise price pence
Outstanding at 30 June 2010	1,690	
Granted during the year	3,000	18.5p
Outstanding at 30 June 2011	4,690	
Granted during the year	305	17.5p
Lapsed during the year	(275)	
Outstanding at 30 June 2012	**4,720**	
Exercisable at 30 June 2012	**710**	
Exercisable at 30 June 2011	860	

There were 305,000 options granted during the year.

At 30 June 2012 outstanding options granted over 10p ordinary shares were as follows:

Share option scheme	Option price pence	Number	Dates exercisable
Company unapproved	50.0p	710,000	28 March 2010 to 27 March 2017
Company unapproved	16.5p	705,000	17 December 2012 to 16 December 2019
Company unapproved	18.5p	3,000,000	22 November 2013 to 21 November 2020
Company unapproved	17.5p	305,000	25 June 2015 to 24 June 2022

22. Movement on reserves

	Share premium £000	Treasury shares £000	Special reserve £000	Profit and loss account £000
At 1 July 2010	45,806	(366)	—	(19,280)
Profit for the year	—	—	—	3,846
Share-based compensation	—	—	—	186
Share issue expenses for shares issued in prior year	(12)	—	—	—
At 30 June 2011	45,794	(366)	—	(15,248)
Profit for the year	—	—	—	759
Share-based compensation	—	—	—	166
Capital reduction	(15,000)	—	6,059	8,941
At 30 June 2012	**30,794**	**(366)**	**6,059**	**(5,382)**

A resolution was passed at the AGM in November 2011 for the capitalisation of the Parent Company's reserves to allow for the possibility of distributions in the future. A copy of this resolution is available from Companies House.

Notes to the group financial statements (continued)

for the year ended 30 June 2012

23. Trade and other payables

	2012 £000	2011 £000
Trade payables	**1,536**	464
Other creditors	**120**	2,996
Social security, other taxes and VAT	**174**	1,124
Accruals and deferred income	**692**	240
	2,522	**4,824**

The carrying value of trade and other payables is considered to be a reasonable approximation of fair value.

24. Other financial liabilities

	2012 £000	2011 £000
Deferred purchase consideration on inventories falling due within one year	**6,768**	—

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. The lack of availability of bank funding has resulted in the Group seeking finance from alternative lending sources to improve liquidity.

25. Contingencies

The Group has the following contingent liabilities as at 30 June 2012:

a) upon the sale of a specific investment property, a payment of £300,000 is due to one party;

b) a subsidiary undertaking, Poole Investments plc, ceased to participate in its operating subsidiary's pension scheme when it disposed of former subsidiaries in May 2004. The Scheme's principal employer, Pilkington's Tiles Limited went into administration on 14 June 2010 and as a result Poole may be liable for a share of the cost of securing the liabilities of the Scheme pertaining to its two former employees should there be a deficit on the Scheme's fund. The Directors consider that, as at the balance sheet date, material uncertainty exists over the basis and calculation of any obligation that may fall due to Poole. Advice is being sort to clarify the Company's position. A provision has therefore not been made in the financial statements as the basis of any provision cannot be reliably established; and

No provisions have been made in these financial statements in respect of these contingent liabilities.

26. Commitments

The Group leases an office and some plant and machinery under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2012 £000	2011 £000
Due later than one year and not later than five years	**129**	203

The rental contract for the office building rented since 28 April 2009 at 2 Anglo Office Park, 67 White Lion Road, Amersham HP7 9FB has a non-cancellable term of five years.

27. Capital management policies and procedures

The Group's objectives when managing capital are:

- to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to ensure sufficient liquid resources are available to meet the funding requirement of its projects and to fund new projects where identified.

This is achieved through ensuring sufficient bank and other facilities are in place and further details are given in Note 28 of the Group accounts. The Group monitors capital on the basis of the carrying amount of the equity less cash and cash equivalents as presented on the face of the Group Statement of Financial Position.

The movement in the capital to overall financial ratio is shown below. The target capital to overall financing ratio has been set by the Directors at 50% and results over this amount are considered to be a good performance against the target.

	2012 £000	2011 £000
Equity	**49,406**	48,481
Less: cash and cash equivalents	**(575)**	(2,239)
Capital	**48,831**	46,242

	2012 £000	2011 £000
Equity	**49,406**	48,481
Borrowings	**6,986**	2,663
Overall financing	**56,392**	51,144
Capital to overall financing	**86.6%**	90.4%

The Group manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the level of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Notes to the group financial statements (continued)

for the year ended 30 June 2012

28. Financial assets and liabilities

The carrying amounts presented in the Statement of Financial Position relate to the following categories of assets and liabilities:

	Note	2012 £000	2011 £000
Financial assets			
Listed investments held for trading	19	**1**	1
Loans and receivables			
Loan to associate	18	**1,000**	1,895
Trade and other receivables	17	**1,662**	9,296
Cash and cash equivalents	20	**575**	2,239
		3,237	13,430
Financial liabilities			
Financial liabilities designated fair value through profit or loss:			
– current borrowings		**6,986**	2,663
Financial liabilities measured at amortised cost:			
– trade and other payables	23	**1,830**	4,584
– other financial liabilities	24	**6,768**	—
		8,598	4,584

The fair values are presented in the related notes.

Current borrowings consist of housebuilding loan facilities of £3.6m, of which £1.1m (2011: £0.67m) is drawn down, and further loans of £5.9m secured against land (2011: £2.0m). The loans attract interest at varying rates.

The table below analyses the Group's financial contractual liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	2012		2011	
	Trade and other payables £000	Deferred purchase consideration £000	Trade and other payables £000	Deferred purchase consideration £000
Less than one year	**8,643**	**7,000**	6,123	—
Between one and two years	**—**	**—**	—	—
	8,643	**7,000**	6,123	—

The following table presents financial assets and liabilities measured at fair value in the Group Statement of Financial Position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

– Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

– Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

28. Financial assets and liabilities (continued)

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value in the Group Statement of Financial Position are grouped into the fair value hierarchy as follows:

	Note	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Net fair value at 1 July 2011	28(a) & (b)	1	—	1,009	1,010
Movements during the year		—	—	105	105
Net fair value at 30 June 2012		**1**	**—**	**1,114**	**1,115**

(a) Listed securities and debentures

All the listed equity securities and debentures are denominated in Sterling and are publicly traded in the United Kingdom. Fair values have been determined by reference to their quoted mid prices at the reporting date.

(b) Assets not based on observable market data

The option to purchase the share of Drayton Garden Village Ltd is measured at fair value annually.

29. Related party transactions

As at 30 June 2012 there was a sum due from Howarth amounting to £1,000,000 (2011: £1,895,000). This is included within loan to associate and is in respect of a rolling facility provided to Howarth for a maximum balance of £2,000,000. The balance outstanding attracts interest of 8% per annum above the National Westminster Bank plc base rate for the first £1,000,000 and 15% per annum on amounts over this. The interest received from Howarth for the year ended 30 June 2012 amounted to £84,000 (2011: £130,000).

During the year ended 30 June 2012, Howarth carried out construction work on sites owned by the Group. The total amount, charged on an arm's length basis by Howarth for this work, was £635,000 (2011: £1,399,000).

During the year ended 30 June 2010 the Group entered into a joint venture with Howarth for the development of 51 units at a site in Croxley Green, Hertfordshire. At 30 June 2012 the Group had invested £2,302,000 (2011: £2,302,000). The Group's 50% share of profit after tax to date amounts to £261,000, £162,000 of which has been recognised in the Group Income Statement for the year ended 30 June 2012.

The Group's share of the results and its share of net assets of the joint venture are as follows:

	2012 £000	2011 £000
Net assets	**132**	158
Net result	**162**	99

30. Company information

The Company is a public limited company registered in England and Wales. The registered office and principal place of business is 2 Anglo Office Park, 67 White Lion Road, Amersham, Buckinghamshire HP7 9FB.

The principal activity of the Group is to acquire residential and mixed use sites and seek planning consent for development. The Group develops a number of the plots for private sale and sells consented plots to housebuilders.

Independent auditor's report

to the members of Inland Homes plc

Independent auditor's report to the members of Inland Homes plc

We have audited the Parent Company financial statements of Inland Homes Plc for the year ended 30 June 2012 which comprise the Parent Company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 34, the Directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2012;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Inland Homes plc for the year ended 30 June 2012.

Robert Napper

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Reading
25 October 2012

Company balance sheet

at 30 June 2012

	Note	2012 £000	2011 £000
Fixed assets			
Investments	5	**15,224**	14,724
		15,224	14,724
Current assets			
Debtors	6	**39,684**	41,022
Listed investments		**1**	1
Deferred tax		**223**	198
Cash at bank and in hand		**25**	368
		39,933	41,589
Creditors: amounts falling due within one year	7	**(157)**	(1,525)
Net current assets		**39,776**	40,064
Total assets less liabilities		**55,000**	54,788
Capital and reserves			
Called up share capital	8	**18,301**	18,301
Share premium	9	**30,794**	45,794
Treasury shares	9	**(366)**	(366)
Special reserve	9	**6,059**	—
Profit and loss account	9	**212**	(8,941)
Shareholders' funds		**55,000**	54,788

The financial statements on pages 71 to 76 were approved and authorised for issue by the Board of Directors on 25 October 2012 and signed on its behalf by:

Stephen Wicks
DIRECTOR

Nishith Malde
DIRECTOR

Company number
5482990

The accompanying accounting policies and notes form part of these financial statements.

Notes to the company financial statements

for the year ended 30 June 2012

1. Principal accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention. The Directors have reviewed the principal accounting policies and consider they remain the most appropriate for the Company. The principal accounting policies of the Company have remained unchanged from the previous year.

Investments

Investments are included at cost less amounts written off.

Equity-settled share-based payment

All share-based payment arrangements are recognised in the financial statements.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values using the Black-Scholes options pricing model. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to reserves brought forward.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital and, where appropriate, share premium.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date on an undiscounted basis.

2. Profit attributable to members of the parent company

As permitted by Section 408 of the Companies Act 2006, the Parent Company has not presented its own profit and loss account.

The Company's profit for the year of £46,000 (2011: loss of £786,000) has been transferred to reserves.

Auditor's remuneration

The audit fees for the Company were £5,000 (2011: £5,000). Auditor's remuneration for other services is disclosed in Note 7 to the Group financial statements.

Fees paid to the Company's auditor, Grant Thornton UK LLP, and its associates for services other than statutory audit of the Company are not disclosed in Inland Homes plc's financial statements since the Group financial statements of Inland Homes plc are required to disclose non-audit fees on a consolidated basis.

3. Employees

Staff costs during the year were as follows:

	2012 £000	2011 £000
Share-based payment	**166**	186

The average number of employees (including Directors) during the year was:

	2012 Number	2011 Number
Management	**3**	2

4. Directors' remuneration

See Note 8 of the Group financial statements.

5. Investments

	Investment in joint venture £000	Investment in Group undertakings £000	Investment in associate £000	Total £000
Cost				
At 1 July 2011	2,302	12,422	1,359	16,083
Additions	—	—	—	—
At 30 June 2012	**2,302**	**12,422**	**1,359**	**16,083**
Amortisation				
At 1 July 2011	—	—	1,359	1,359
Reversal of impairment in associate	—	—	(500)	(500)
At 30 June 2012	**—**	**—**	**859**	**859**
Net book amount to 30 June 2012	**2,302**	**12,422**	**500**	**15,224**
Net book amount to 30 June 2011	2,302	12,422	—	14,724

See Note 14 of the Group financial statements for details on the Group undertakings.

Notes to the company financial statements (continued)

for the year ended 30 June 2012

6. Debtors

	2012 £000	2011 £000
Amounts owed by Group undertakings	**38,673**	39,109
Loan to associate	**1,000**	1,895
Other debtors	**11**	18
	39,684	41,022

7. Creditors: amounts falling due within one year

	2012 £000	2011 £000
Trade creditors	**13**	20
Accruals and other creditors	**144**	1,505
	157	1,525

8. Share capital

	2012 £000	2011 £000
Authorised		
239,990,000 (2011: 239,990,000) ordinary shares of 10p each	**23,999**	23,999
1,000 (2011: 1,000) redeemable shares of £1 each	**1**	1
	24,000	24,000

	2012 £000	2011 £000
Allotted, issued and fully paid		
182,999,484 (2011: 182,999,484) ordinary shares of 10p each	**18,300**	18,300
980 (2011: 980) redeemable shares of £1 each	**1**	1
180 (2011: 180) deferred shares of 10p each	**—**	—
	18,301	18,301

The redeemable shares are not entitled to receive any dividends and carry one vote per share in general meetings. On a return of capital, the holders of redeemable shares will receive £1 per share unless the conditions described below are met, in which event the entitlement of holders of redeemable shares will be enhanced as described below.

In the event that: (i) the return to holders of ordinary shares (calculated as dividends received, together with the increase in share price over 50p exceeds 10% per annum compounded annually); and (ii) the relevant holder of redeemable shares has not voluntarily ceased to be employed by or engaged to provide services to the Company or any Group company or been dismissed for cause then the following provisions will apply:

i. on a takeover (including a takeover effected by a scheme of arrangement) the holders of the redeemable shares will become entitled to redeem their shares at a price which is calculated so as to attribute to all the redeemable shares the difference between the takeover offer price per share and 35p multiplied by 11,123,494; or

8. Share capital (continued)

ii. on a winding up, the assets attributable to the redeemable shares will likewise be calculated to be such amount as would represent the difference between the amount attributable to each ordinary share and 35p multiplied by 11,123,494.

According to the Company's Articles of Association, the redeemable shares can convert into deferred shares of 10p each. The deferred shares shall not confer the right to be paid a dividend or to receive notice of or attend or vote at a general meeting. On a winding up, after the distribution of the first £10,000,000 of the assets of the Company, the holders of the deferred share (if any) shall be entitled to receive an amount equal to the nominal value of such deferred shares pro rata to their respective holdings.

Details of the Company's share option schemes can be found in Note 21 to the Group accounts.

9. Reserves

	Share premium £000	Treasury shares £000	Special reserve £000	Profit and loss account £000
At 30 June 2011	45,794	(366)	—	(8,941)
Retained profit for the year	—	—	—	46
Capital reduction	(15,000)	—	6,059	8,941
Employee share-based compensation	—	—	—	166
At 30 June 2012	**30,794**	**(366)**	**6,059**	**212**

A resolution was passed at the AGM in November 2011 for the capitalisation of the Parent Company's reserves to allow for the possibility of distributions in the future. A copy of this resolution is available from Companies House.

10. Capital commitments

The Company had no outstanding capital commitments at 30 June 2012 or 30 June 2011.

11. Contingent liabilities

The Company has the following contingent liabilities as at 30 June 2012:

a) Inland Homes plc has guaranteed any shortfall of interest payable by Inland Housing Limited in respect of borrowings relating to the subsidiary undertaking's development at Farnborough. In the Directors' opinion there is unlikely to be any such shortfall.

b) Inland Homes plc has guaranteed the obligations of Inland Limited to a private lender in respect of a £2.0m loan.

c) Inland Homes plc has guaranteed the obligations of Inland Homes (Essex) Ltd to a lender in respect of loans amounting to £3.9m taken out during the year ended 30 June 2012.

d) Inland Homes plc has guaranteed any cost overruns and shortfall of interest payable by Inland Homes Developments Limited in respect of borrowings relating to the subsidiary undertaking's development at Redhill. In the Directors' opinion there is unlikely to be any such shortfall.

No provisions have been made in these financial statements in respect of these contingent liabilities.

Notes to the company financial statements (continued)

for the year ended 30 June 2012

12. Reconciliation of movements in shareholders' funds (continued)

	2012 £000	2011 £000
Profit/(loss) for the year	**46**	(786)
Issue of shares	**—**	(12)
Share-based compensation	**166**	186
Net (decrease)/increase in shareholders' funds	**212**	(612)
Opening shareholders' funds	**54,788**	55,400
Closing shareholders' funds	**55,000**	54,788

13. Related party transactions

The Company is exercising its right to withhold disclosure of related party transactions between itself and its wholly owned subsidiary undertakings in line with FRS 8.3 Related Party Disclosures.

Notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 10.00 a.m. on 27 November 2012 at the offices of the Company, 2 Anglo Office Park, 67 White Lion Road, Amersham, Buckinghamshire HP7 9FB for the purpose of considering and, if thought fit, passing the following resolutions 1, 2, 3, 4, 5, and 6 as ordinary resolutions and resolutions 7 and 8 as special resolutions of the Company:

ORDINARY BUSINESS

1. THAT the audited financial statements of the Company for the financial year ended 30 June 2012 and the Directors' Report and Auditor's Report on those financial statements be received and adopted.
2. THAT Grant Thornton UK LLP be re-appointed as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which audited financial statements are laid and to authorise the Directors to fix their remuneration.
3. THAT Stephen Wicks be re-appointed as a Director of the Company in accordance with the Articles of Association of the Company.
4. THAT Nishith Malde be re-appointed as a Director of the Company in accordance with the Articles of Association of the Company.
5. THAT a final dividend of 0.067p per ordinary share in respect of the year ended 30 June 2012 be declared and payable to members on the register at the close of business on 16 November 2012.

SPECIAL BUSINESS

6. As an ordinary resolution:

   THAT in substitution for all existing authorities, the Directors be and they are hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot, grant rights to subscribe for, or to convert any security into, offer or otherwise deal with or dispose of shares in the Company up to a maximum aggregate nominal amount of £6,099,982.80, representing (as nearly as may be) one third of the issued share capital of the Company at the date of the passing of this resolution to such persons, at such times and generally on such terms and conditions as the Directors (subject to the Articles of Association of the Company from time to time) in their absolute discretion may determine during the period commencing on the date of the passing of this resolution and expiring (unless previously renewed, varied or revoked by the Company in general meeting) 15 months from the date of the passing of this resolution or, if earlier, on the conclusion of the next Annual General Meeting of the Company save that the Company may make an offer or agreement which would or might require relevant securities to be allotted after the expiry of this authority and the Directors may allot relevant securities pursuant to such an offer or agreement as if the authorities hereby conferred had not expired.
7. As a special resolution:

   THAT in substitution for all existing authorities and subject to the passing of resolution 6 above, the Directors be and they are hereby empowered, pursuant to Section 570 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by resolution 6 above as if Section 561(1) of the Act did not apply to any such allotment provided that this power shall be limited:

   (a) to the allotment of equity securities where the equity securities respectively attributable to the interests of all relevant shareholders are proportionate (as nearly as may be) to the respective numbers of shares held by them on the record date for such allotment subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of any regulatory body or stock exchange in, any territory; or

   (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities for cash up to an aggregate nominal amount not exceeding £1,829,994.84 representing (as nearly as may be) 10 per cent. of the issued share capital of the Company at the date of the passing of this resolution, and shall expire on the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of this resolution, whichever is earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement after such expiry as if the power conferred hereby had not expired.
8. As a special resolution:

   THAT the Company be generally and unconditionally authorised, pursuant to Section 701 of the Companies Act 2006 (the "Act"), to make market purchases (as defined in Section 693(4) of the Act) of up to 18,299,948 ordinary shares of 10 pence each in the capital of the Company ("Ordinary Shares") (being approximately 10 per cent. of the current issued ordinary share capital of the Company) on such terms and in such manner as the directors of the Company may from time to time determine provided that:

   (a) the amount paid for each share (exclusive of expenses) shall not be more than the higher of (1) five per cent. above the average of the middle market quotation for Ordinary Shares as derived from the Daily Official List of London Stock Exchange plc for the five business days before the date on which the contract for the purchase is made, and (2) an amount equal to the higher of the price of the last independent trade and current independent bid as derived from the trading venue where the purchase was carried out, or less than 10 pence per share; and

   (b) the authority herein contained shall expire on the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of this resolution, whichever is earlier, save that the Company may before such expiry make a contract to purchase its own shares which would or might be executed wholly or partly after such expiry and the Company may make a purchase of its own shares in pursuance of such contract as if the authority conferred hereby had not expired.

By order of the board

NISHITH MALDE
COMPANY SECRETARY
25 October 2012

Notice of annual general meeting (continued)

Notes:

(1) A form of proxy is enclosed for use by shareholders and, if appropriate, must be deposited with the Company's registrars, being Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time of the Annual General Meeting. Appointment of a proxy does not preclude a shareholder from attending the Annual General Meeting and voting in person.

(2) A shareholder entitled to attend and vote at the Annual General Meeting may appoint one or more proxies (who need not be a member of the Company) to attend and to speak and to vote on his or her behalf whether by show of hands or on a poll. A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him or her. In order to be valid an appointment of proxy (together with any authority under which it is executed or a copy of the authority certified notarially) must be returned by one of the following methods:

(a) in hard copy form by post or (during normal business hours only) by courier or by hand to the Company's registrars, being Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU;

(b) in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below, and in each case must be received by the Company not less than 48 hours before the time of the Annual General Meeting.

(3) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take that appropriate action on their behalf.

In order for a proxy appointment, or instruction, made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of Annual General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and where applicable, their CREST sponsors or voting service providers, should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy instructions. It is therefore the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST Sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(4) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertified Securities Regulations 2001.

(5) To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the register of members of the Company at 6.00 p.m. on 25 November 2012 (or, in the event of any adjournment at 6.00 p.m. on the date which is two days before the time of the adjourned meeting). Changes to the register of members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

Notes

Company information and advisers

Company registration number
5482990

Company Secretary
Nishith Malde FCA

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2 Anglo Office Park
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Buckinghamshire HP7 9FB
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Solicitor
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21 Wilson Street
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Auditor
Grant Thornton UK LLP
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