Inland homes

Annual Report and Accounts
for the year ended 30 June 2013
Stock code: INL

Creative thinking in
brownfield development

Inland homes

As a leading brownfield regeneration specialist, we focus in buying brownfield sites and enhancing their value through obtaining planning permissions for residential and mixed use developments.

Sustainability is at the heart of everything we do.

Read more about Corporate Responsibilities 42

Burleigh Place, Mytchett

Who We Are

Inland Homes is an established land regeneration business, focused on developing sites in southern England for residential and mixed use projects. Our foundations have been built on a proactive and decisive approach to identifying the right land opportunities, and our ability to navigate the complex planning system and maximise the potential of the final development.

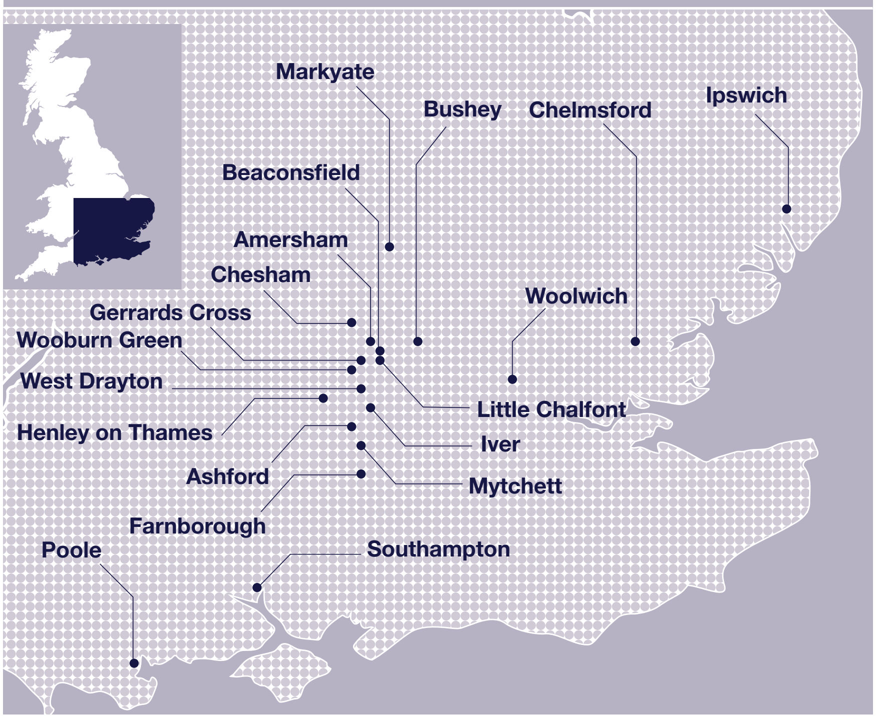
Our versatile structure, relatively small team, local insight and opportunistic approach give us a competitive advantage, ensuring we can react fast to secure the sites we want at a price that works. Once secured, our knowledge of and relationships with local authorities, and the wealth of experience in our land team, is reflected in our 100% record of securing planning consent for our sites.

Our ambitious developments, combining style, comfort and sustainability for a wide social demographic, deliver for our business, our stakeholders, our shareholders and the local community.

Increasingly, we are utilising our own land bank to grow as a housebuilder and this growth will continue to change our revenue profile.

Land Portfolio

The land portfolio consists of 2,306 plots across the south of England, owned, controlled or managed by Inland Homes.



Getting Around

A guide to the signposting tools used in this report:

Indicates additional information within the report 00

Indicates additional information online

Financial and Operational Highlights

Strong performance delivers record annual results

Group highlights:

- Record results reflect a combination of increased plot sales to developers and growing focus on housebuilding activity in order to maximise the value of the Group's land bank
- Significant increase in housebuilding activity with 55 (2012: 9) homes sold generating revenue of £11.4 million (2012: £1.7 million)
- Strong developer and housing association demand for consented land; 375 (2012: nil) plots sold generating revenue of £16.4 million. Drayton Garden Village Limited ("DGVL") separately sold a further 76 (2012: 116) plots realising revenue of £5.3 million (2012: £6.7 million)
- Land bank increased to 2,306 plots with 1,057 consented
- Planning permission granted at Carter's Quay, Poole and St John's Hospital, Chelmsford
- Strengthened capital base through successful fundraisings totalling £13.7 million
- Fourfold increased dividend reflects balance sheet strength

Post year end highlights:

- DGVL exchanged contracts to sell 107 apartments at Drayton Garden Village ('DGV') for £21 million on a turnkey package, which the Group is managing on behalf of DGVL
- Purchased office to residential conversion site in Gerrards Cross, Buckinghamshire

Outlook:

The Group's housebuilding activity has had a strong start to the year; forward sales (Inland and DGVL) of £46.3 million secured and 486 units under construction; expect significant increase in number of homes sold

- Experiencing robust demand for consented land
- Market supported by Government initiatives; Group well placed to exploit opportunities

Find out more within **Chairman's Statement** 12

Find out more within **Chief Executive's Review** 15

Read our case study on **Drayton Garden Village** 20

Construction of 32 private homes at Drayton Garden Village

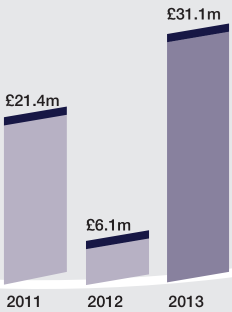
"It has been a very good year for Inland Homes. Our strategic move to increase the Group's housebuilding activity has proved to have been well timed, while we continue to make progress in growing our land bank in terms of both size and quality.

"The Group is well financed and with market conditions in our favour, we are confident that we will make further progress throughout the course of this financial year and beyond."

Stephen Wicks
Chief Executive

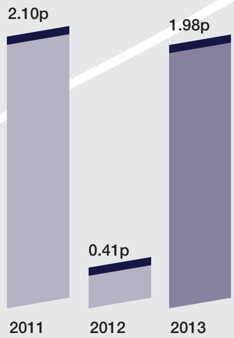
Revenue

up 410%
at £31.1m
(2012: £6.1m)



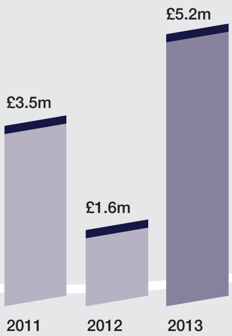
Earnings per share

up 383%
at 1.98p
(2012: 0.41p)



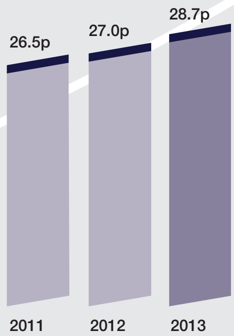
Profit before tax

up 225%
at £5.2m
(2012: £1.6m)



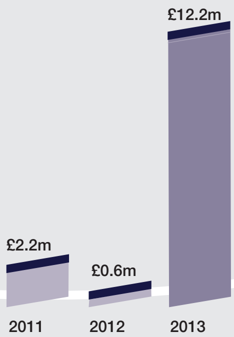
Net asset value per share[1]

up 6%
at 28.7p
(2012: 27.0p)



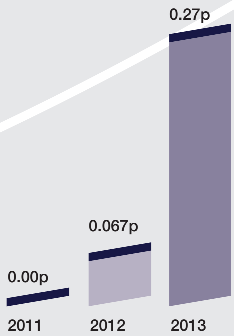
Year end cash balances

up 1,933%
at £12.2m
(2012: £0.6m)



Dividend per share

up 303%
at 0.27p
(2012: 0.067p)

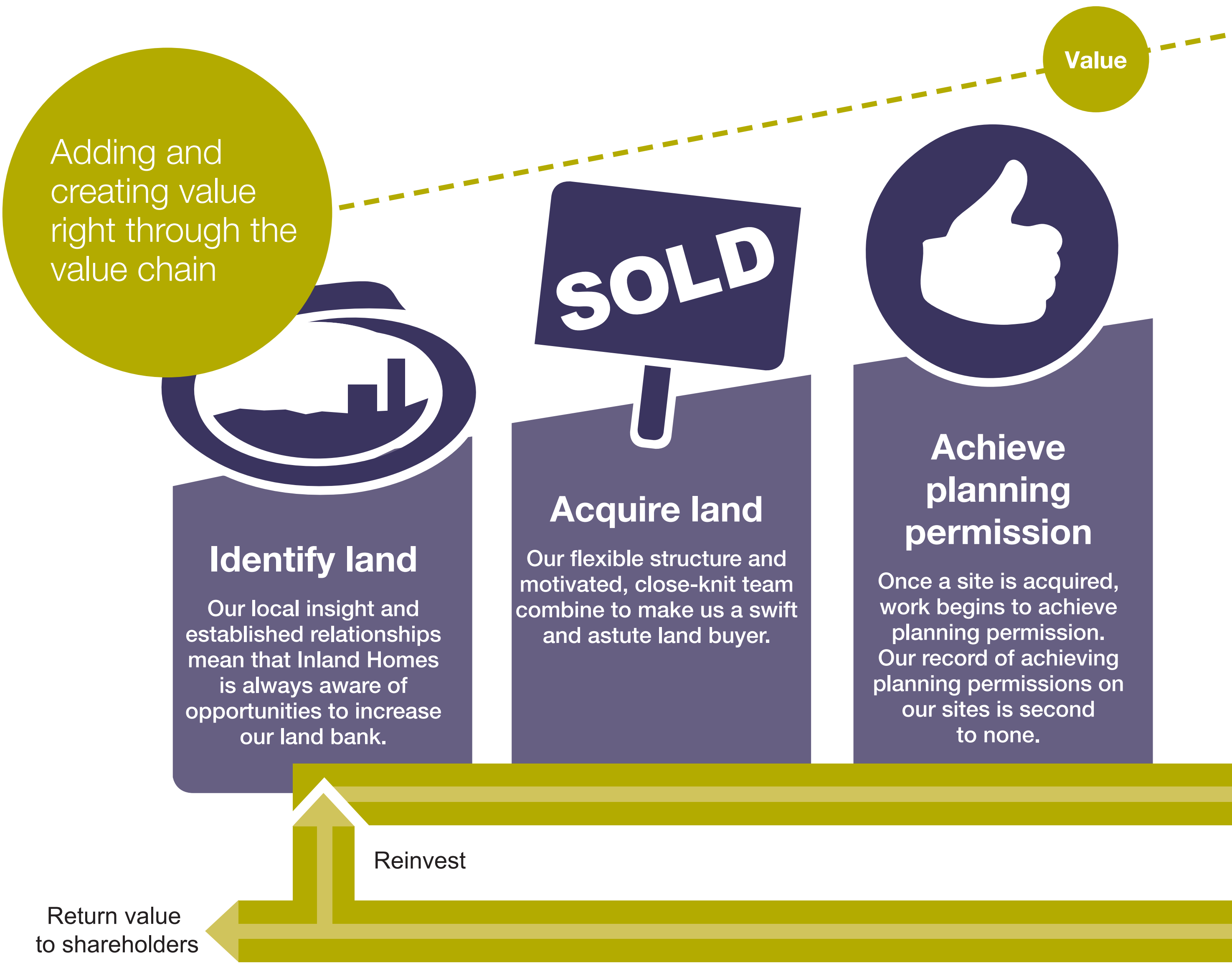


1. Excludes the Group's interest in Drayton Garden Village Limited ('DGVL') from which Inland expects to derive a further 5.0p per share.

Our Business Model

Creating short, medium and long term value

Inland Homes has a defined business model for delivering value in the short, medium and long term. In the recent past, the model has changed to accommodate our growing housebuilding programme, which will deliver greater margins and more regular returns in the medium and long term.



"Sites acquired can often deliver short term returns through the sale of surplus assets or rent from tenants."

Des Wicks
Land Manager

Sell land with planning permission to developers

Once consent is achieved, Inland Homes has the opportunity to sell the site with outline planning permission to developers or housing associations for a short term return.

Develop all or part of the site

By selling parts of a site while carrying out infrastructure works and our own housebuilding on other parts, we are delivering revenue in the medium term.

Read our case study on **Queensgate, Farnborough** 24

Retain all or part of the site, build using main contractors and JVs

Building a whole development ourselves takes longer but maximises the revenue a site can deliver over the long term.

Read our case study on **West Plaza, Ashford** 28

Short term returns

Medium term returns

Long term returns

Read about Inland Homes' **Strategy** 11

Read about **Risk and Risk Management** 30

Read more online **www.inlandplc.com**

Our Business Model continued

We are proud of the developments we plan and design, and are always looking to create communities attractive to future residents. Delivering on our commitment to quality and comfort, developed sites feature open spaces, play areas and immaculate landscaping to suit the needs of a wide variety of people.

Identify land

Our local insight and established relationships mean that Inland Homes is always aware of opportunities to increase its land bank. We have particularly strong ties with central London agents, the MOD and other Government organisations, which frequently lead to new deals.

Sites of varying value and size located in the south of England, the south east and around the M25 are our priority, but other locations are investigated where appropriate. Intensive legal, financial and land research is carried out at the identification stage, supported by our in-house architect and a number of planning/architectural consultants. Research into key factors such as local employment and transport links also influences our decisions.

Our appraisals and due diligence minimises risk and reinforces the land's potential, ensuring that we fully understand the opportunity and that only sites with the right risk/reward balance are chosen. Payment terms for land can be up to three to four years with land being released to Inland Homes as and when payment is made.

Acquire land

Our flexible structure and motivated, close-knit team combine to make us a swift and astute land buyer. As well as typical sites for development, strategic parcels of land — the value of which may come from being key to securing further land or development in the future — may also be purchased.

Government organisations and vendors generally sell to developers that can make a success of the land acquired and meet potential future contractual terms such as overage. In that respect, Inland Homes has a reputation for meeting and exceeding these expectations, thus strengthening our case when making offers on new land acquisitions.

Sites acquired can often deliver short term returns through the sale of surplus assets or rent from tenants (acquiring sites can sometimes mean that Inland Homes becomes a short term landlord until new development can begin).

Achieve planning permission

Once a site is acquired, work begins to achieve planning permission. Our record of achieving planning permissions on our sites is second to none. We place the needs of all affected parties — Government, Local Authorities, local residents, potential end users, local wildlife and the environment — alongside our own.

Our expertise in designing sites involves detailed surveys, public consultations and presentations to create developments that naturally blend into the local environment. Plans produced by Inland Homes are designed to deliver the maximum value for our stakeholders.

Inland Homes produces comprehensive development proposals that are supported by robust financial viability assessments and a strong track record. Applications are further leveraged by our ability and experience in delivering 'green' sites that are energy efficient and offer carbon reductions. We typically allow 18 to 24 months to secure a planning permission for a site.

"Plans produced by Inland Homes are designed to deliver the maximum value for our stakeholders."

Matt Corcoran
Planning Manager

Sell land with planning permission to developers

Historically, once consent has been achieved, Inland Homes would sell the site with outline planning permission to developers or housing associations for a short term return. Depending on our interests as an expanding housebuilder, this will still continue where appropriate.

We have good relationships with our land-buying customers and most transactions happen once the necessary ground remediation (removal of pollution and contaminants) has happened and the infrastructure has been installed. A 'serviced site' contains all the necessary drainage and roads, etc. already in place. As housebuilders ourselves, we know how to meet the needs of potential developers in order for them to be able to move quickly.

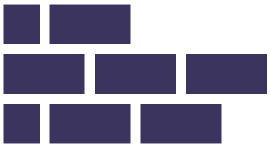
Those developing on our sites are required to follow our 'Design Code' for consistency. This ensures the site has a look and feel in keeping with the development as a whole and with the local area.

Develop all or part of the site

While portions of our sites are still sold to other developers, Inland Homes is increasingly using its land bank to grow as a housebuilder. By installing infrastructure and selling parts of a site, whilst carrying out our own housebuilding on other parts, we are delivering revenue in the medium term.

Our customers for land are typically major housebuilders, medium tier and smaller local developers and our homes are acquired by private purchasers as owner occupiers and investors. We also have strong relationships with Housing Associations and investors in the Private Rented Sector.

Value is returned to Inland Homes either as milestone payments as construction takes place, or as payments when units are completed, both of which provide regular cash flow. Large projects usually require a 'mixed use scheme', where Inland Homes will develop the commercial plots that are let to tenants. Value is realised by managing the asset for a short period of time before selling the investment to a third party.



Retain all or part of the site, build using main contractors and joint ventures

With greater gross margins achieved on our own housebuilding, building a whole development ourselves takes longer but maximises the revenue a site can deliver over the long term. Inland Homes has substantially increased its housebuilding activities over the recent past and we expect this to continue.

We have forged strong relationships with main contractors and third parties that have a reputation and track record for delivering stunning homes. By agreeing fixed-price contracts up front we are minimising risk in the construction stage, with payments only being made on 'valuation certificates' provided by surveyors checking progress on projects.

As well as delivering value, we are proud of the developments we plan and design, and are always looking to create communities attractive to future residents. Delivering on our commitment to quality and comfort, developed sites feature open spaces, play areas and immaculate landscaping to suit the needs of a wide variety of people.

Read more online
www.inlandplc.com

Group at a Glance

"The strengthening of our land portfolio to over 2,300 plots is key to the continued growth of the business."

Paul Brett
Land Director

Plots added

966

Planning permission gained during the year

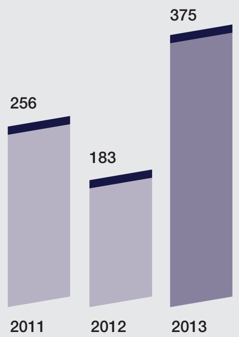
496

Artist's impression of Carter's Quay, Poole

Total residential plots sold

375*

Generating £16.4m

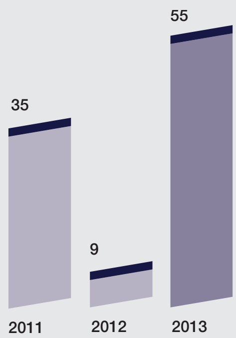


* In addition, 76 plots were sold on behalf of DGVL.

Residential home sales

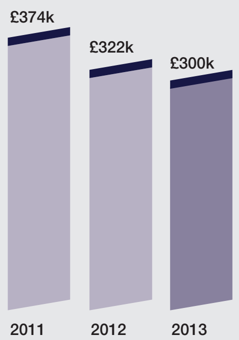
55

Generating £11.4m



Rental income generated

£300,000



Number of plots

1,057 with planning

+

1,249 without planning

=

2,306 Total

Forward sales

£46.3m

(either agreed or contracted)

- Housing Associations as affordable homes
- Housing Associations for private rented sector (PRS)
- Private purchasers as owner occupiers
- UK and overseas investors

Our Marketplace

Customer service is an integral part of our business

Throughout 2013, the UK housing market has shown significant signs of revival. The number of transactions has increased and the pent up demand has subsequently seen prices rise.

In the south of England where Inland Homes operates, the Office for National Statistics (ONS) found that property prices in and around London and the south east have soared in 2013, more so than in any other area of the country. With growth in employment expected in the south east over the next decade, housing demand and prices are set to continue rising.

Government schemes such as last year's Get Britain Building investment fund (which provided a £2 million facility to the Queensgate project) have seen new housing supply rising, with the Government estimating 334,000 new homes will be built in the three years up to August 2013.

However, there are currently insufficient houses to keep up with the growing demand, which is estimated at over 250,000 units p.a. With 110,530 units built in the 12 months up to June 2013 (7% up on same time in 2012), demand is currently more than double what is being built. With an ageing population meaning fewer occupants per property, the long term lack of homes is likely to continue.

In terms of buyers, Government schemes such as Help to Buy are building on these signs of recovery. The Help to Buy home ownership scheme has been launched in England and runs for three years.

There is also the Build to Rent Fund, which was launched to stimulate new private rented housing supply. The HCA (Homes and Community Agency) which controls all the RSLs (Registered Social Landlords) has allocated a £15 million facility for Inland Homes and DGVL to assist in the development of Build to Rent plots being delivered.

The UK Government's reforms to make the planning system less complex and easier to understand has recently resulted in a change of legislation to promote office to residential conversion under "prior approval notification" procedures, which will be useful on one of the Group's projects.

Inland Homes has also started to engage with lucrative overseas investors, recently selling 12 apartments from the West Plaza, Ashford, Middlesex development to customers in Hong Kong. There is evidence that overseas demand for UK property is growing, with over half of all new buildings in London now purchased by foreign buyers.

"Inland Homes has also started to engage with lucrative overseas investors, recently selling 12 apartments from the West Plaza, Ashford, Middlesex development to customers during a trip to Hong Kong."

Vicki Noon
Sales and Marketing Director

Our Strategy

Inland Homes has a clear strategy focused on maximising the value of our land bank, realising value at appropriate stages during the development cycle to support ongoing sustainable growth and therefore delivering shareholder value.

Our strategy focuses on four key goals:

1	To increase the size of our land bank year on year	2	Continue the core activity of plot sales to other developers to generate cash to fund our operations
3	Maximise the value from our land bank by expanding our housebuilding programme	4	Maintain borrowings at a relatively low level through a strong focus on cash management and vendor financing

With strong demand for land in the south and south east, we will continue to capture land trading margin by selling brownfield land, with planning permission, to developers. At the same time we are growing and utilising our capabilities as a housebuilder (486 units now under construction). We will look to extract value using the appropriate option available to us through the value chain, with a focus on the cash needs of the business. Making use of equity, debt funding and vendor financing, we will entrepreneurially grow the business by capitalising on buoyant market conditions, achieving higher margins through our housebuilding, whilst being fanatic about our cash position and levels of borrowing.

With short, medium and long term value releasing options available, we will support our strategy by adding plots to the land bank year on year. We will continue to meet the needs of our customers and build on our strong relationships with Housing Associations. Our outsourcing model makes the business agile and quick to capitalise on market conditions, enabling us to easily scale-up or scale-down when appropriate.

Adding to our team of industry experts we have invested in additional resources including planners, architectural designers, project managers, and sales and marketing people to build extra capacity to support our growth journey as housebuilders, which will provide more regular earnings for shareholders.

Read about
Risk and Risk Management 30

Chairman's Statement

"Inland Homes has had a highly productive financial year. The Group is well positioned to grow its land bank whilst our expanding housebuilding activity will help to ensure we maximise the profit potential from the Group's asset base."

Terry Roydon
Non-executive Chairman

A strong performance in improving market conditions

I am delighted to report a very strong set of results for Inland Homes, driven by an increased number of plots sold to other developers as well as a significant contribution from the development and sale of new homes built by the Group.

We are conscious that we work in an extremely cyclical industry and it is therefore crucial that we are 'in the right place at the right time'. Our strategy to extract the maximum value from our land bank by building more developments ourselves appears to have been well timed given the improvement in market conditions and the increasing volume of housing transactions recorded in the UK.

As a result of this increased activity, total Group revenue, which includes revenue from land and house sales, rental income and project management fees, increased by over 400% to £31.12 million (2012: £6.11 million). Gross profit was nearly doubled to £7.69 million (2012: £3.89 million) with a margin of 24.7% and operating profit was up over 370% at £5.08 million (2012: £1.06 million).

Profit before tax was up over 225% at £5.21 million (2012: £1.60 million) translating into a near fivefold increase in earnings per share of 1.98p (2012: 0.41p).

Net asset value per share increased to 28.7p (2012: 27.0p). These financial results exclude the future value from the development services provided by the Group to DGVL where Inland Homes' profit share is expected to increase from the current level of 74% to 90% by the end of March 2014 once the outstanding deferred consideration of £6.7 million for DGV has been paid. The Board anticipates that Inland Homes' share of the future profits from DGV should be in the order of £10.1 million net of tax which is equivalent to 5.0p per ordinary share. Shareholders will appreciate that the unrealised profit, resulting from the difference between the market and carrying values of the Group's land bank, is significant. The Group finished the period with cash reserves of £12.2 million, with net gearing reduced to 6.7% (2012: 13.0%).

I am pleased to report that during the period DGVL sold 76 plots for a total consideration of £5.3 million.

Successful fundraisings strengthen capital base

During the year the Group strengthened its financial position through two successful fundraisings: the first raised £8.94 million net of costs through the placement of approximately 9.35 million Zero Dividend Preference shares ("ZDPs"), which have a redemption yield of 7.3% per annum and will be repaid on or before 10 April 2019 and the second, in May 2013, raised £4.73 million net of costs through a placing of approximately 18.3 million ordinary shares. These fundraisings have increased the Group's financial flexibility and have strengthened the Group's longer term capital base.

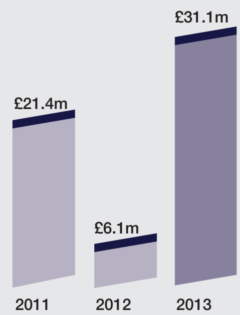
Increased dividend reflects progressive dividend policy

At the time of our 2012 results, the Board announced its intention to adopt a progressive dividend policy. In line with this policy, and reflecting these strong results, the Board is recommending a fourfold increase in the final proposed dividend of 0.27p (2012: 0.067p) per share if approved by shareholders at the

KPI

Revenue

up 410%
at £31.1m
(2012: £6.1m)



Read about Inland Homes
Group at a Glance 08

Showhome at Drayton Garden Village

Chairman's Statement continued

Annual General Meeting which is expected to be called for Thursday 5 December 2013. The final dividend will be paid on 6 January 2014 to shareholders on the register at the close of business on 6 December 2013. The ex-dividend date will be 4 December 2013.

Consistent progress against clear strategic goals

Our strategy going forward is demanding but we believe achievable and is:

1. To increase the size of our land bank year on year;
2. Continue the core activity of plot sales to other developers to generate cash to fund our operations;
3. Maximise the value from our land bank by expanding our housebuilding programme; and
4. Maintain borrowings at a relatively low level through a strong focus on cash management and vendor financing.

The increase in housebuilding will lead to an increase in the Group's net gearing because of the increased working capital requirements that this entails. However, this is envisaged to reduce over time as legal completions of unit sales and land disposals are achieved and the Board is focused on keeping net gearing under control. In this regard the Group has a good level of forward sales on both residential homes and development land with planning consent.

The number of residential plots in the land bank of the Group and those separately held by DGVL is currently as follows:

Owned with planning consent	753
Drayton Garden Village	311
Owned or contracted without planning consent	300
Plots controlled or terms agreed	942
Total plots	2,306

Well positioned to exploit market opportunities

Inland Homes currently has 348 homes under construction on seven sites and a further 138 units are being developed by DGVL. The Group is managing the programme of developing some of Drayton Garden Village and this should further enhance the returns we expect from this project.

Our housebuilding activity has had a strong start to the new financial year with 34 reservations across three active sites since 1 July 2013. Forward sales for both Inland Homes and DGVL either agreed or contracted currently stand at £46.3 million.

The Board believes that, for the foreseeable future, the market for new homes will remain strong in the areas in which we operate, particularly in the price range of £160,000 to £400,000 where sales are supported by the Government's "Help to Buy" scheme and the continuing fundamental shortfall of housing availability in the country. As such, we would expect a substantial increase in the number of units sold in the current financial year when compared with 2013.

In addition, we have a strong land pipeline with a number of attractive sites in London and the south east already secured and are experiencing robust demand for land with planning consent.

Inland Homes has had a highly productive financial year. The Group is well positioned to grow its land bank whilst our growing housebuilding activity will help to ensure we maximise the profit potential from the Group's asset base. Inland Homes is well placed to meet the challenges and opportunities presented by the market and we look to the future with confidence.

Terry Roydon
Non-executive Chairman
31 October 2013

KPI

Profit before tax

up 225%
at £5.2m
(2012: £1.6m)

Read about Inland Homes **Business Model** 04

Chief Executive's Review

"Inland Homes is a leading developer of sustainable mixed use communities with a strong focus on brownfield regeneration on complex sites. Our strategic move to increase the Group's housebuilding activities has proved to be particularly well timed."

Stephen Wicks
Chief Executive

This has been a "watershed" year for Inland Homes. The Group has made significant progress on all fronts including the land bank, housebuilding, profitability and financing.

Our operational focus is in the south of England with an emphasis on creating well designed homes in sustainable communities. The land portfolio meets the needs of a wide range of purchasers, from first time buyers to investors, with a product range that includes houses, apartments, commercial units and the sale of selected building plots to other developers.

Not only have we delivered a strong set of results but have put in place the foundations for further growth. We have implemented a clear strategy alongside a substantially improved housing market in the areas of our operations.

As stated in the Chairman's Statement, we have dramatically increased the scale of our housebuilding activities, with 348 homes being constructed by Inland Homes and a further 138 homes by DGVL with forward sales of in the order of £46.3 million. Our homes range from £160,000 to £400,000 making them ideal for first time buyers and investors alike. This price band is ideal for demand from purchasers using the Government's "Help to Buy" funding initiative.

Whilst the planning system remains difficult, we secured our goals on the following key sites where valuable planning permissions were achieved:

Carter's Quay, Poole, Dorset

268 homes with no affordable housing as well as 100,000 sq ft of commercial space.

St John's Hospital, Chelmsford

101 homes including 12 substantial detached houses backing on to the golf course.

Drayton Garden Village, West Drayton (managed by Inland Homes)

A 4,000 sq ft neighbourhood store pre-let to Sainsbury's.

Despite the considerable management time taken up in increasing the housebuilding programme to these new levels, I am pleased to say that our land acquisition programme has continued unabated. Notable sites secured in the course of the year were:

Markyate, St Albans, Hertfordshire

Consent for 40 residential units.

High Street, Amersham, Buckinghamshire

Strategic land with an option over 4.8 acres.

Callis Yard, Woolwich, London

Acquired with a lapsed resolution to grant planning consent for 177 units — acquired from receivers.

Wooburn Green, Buckinghamshire

Consent for 26 residential units.

Europa Way, Ipswich

Acquired with an expired consent for 218 units — acquired from receivers.

Vale Road, Bushey, Hertfordshire

Option land assembly — planning application submitted for 41 units.

Swallow Street, Iver, Buckinghamshire

Option over former garden centre with potential for 18 houses.

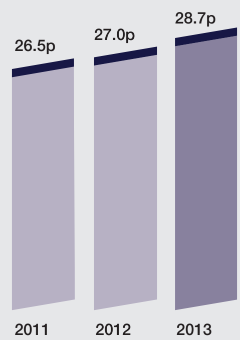
Station Road, Gerrards Cross, Buckinghamshire

Two existing vacant office blocks to be converted into 33 units under the Government's "prior approval notification" procedure.

KPI

Net asset value per share[1]

up 6%
at 28.7p
(2012: 27.0p)



1. Excludes the Group's interest in Drayton Garden Village ('DGV') from which Inland Homes expects to derive a further 5.0p per share.

Read more online
www.inlandplc.com

Chief Executive's Review continued

The Winter Gardens, Bournemouth

Acquisition of two key office buildings forming part of a major mixed use proposal in the town centre.

Former pub, Farnborough, Hampshire

Option over a site suitable for 60 units.

Reading Road, Henley on Thames

Acquisition of a 1.3 acre brownfield site with scope for up to 50 units.

Chessmount Rise, Chesham, Buckinghamshire

A 0.9 acre site secured under an option. Site allocated for development with a scheme for 14 units already submitted.

The growth in activity during the year has resulted in an increase in the number of staff (including Directors) to 22. The increase is primarily due to new project managers and sales staff.

During the course of the year a decision was made by management to terminate discussions regarding a joint venture to develop 152 units with a major housebuilder on our Ashford Hospital project (now branded as "West Plaza"). We are now building this scheme as principals and have already achieved a good level of forward sales prior to the opening of a sales centre. The construction is fully funded by a senior debt bank facility.

Another major project taking up considerable amounts of management time was our "flagship" development proposal at Wilton Park, Beaconsfield. As shareholders will recall, Inland Homes acquired the only viable access supported by the Local Authority and achieved "special purchaser status" with the Ministry of Defence, being the owners of the development land (the former Defence School of Languages). This site is allocated in the local plan for up to 300 homes and a substantial amount of commercial space. Work is now advanced on the production of a planning brief for the development of the land in conjunction with the Local Authority, South Bucks District Council.

It is envisaged a planning permission will be achieved by the spring of 2015.

Drayton Garden Village (managed by Inland Homes)

During the course of the year, the installation of major infrastructure and landscaping works continued at Drayton Garden Village and the Garden Village concept that was envisaged is becoming a reality.

Notable events were the sale of 76 plots to Bellway Homes, a pre-let of commercial space to a leading food retailer and a forward sale of 107 units to Paradigm Housing Association.

Inland Homes is also managing the development of 32 residential units for private sale, of which 80% are sold. DGVL is planning to keep development continuity by starting a further phase of 41 units for sale in this calendar year.

Shareholders will be aware that we decided to sell our stake in Howarth Homes plc ("Howarth") which was achieved at a profit of £292,000. We successfully completed our joint venture with Howarth at Croxley Green, Herts with the last unit being sold in October 2013. The Group has also achieved the repayment of all loans to Howarth. Howarth will continue as one of our main contractors as part of our housebuilding programme.

Summary and prospects

2013 has laid the foundations to deliver a successful set of results for the new financial year. There is a strong pipeline of new land opportunities being investigated by our team, although we are extremely discerning as to which projects fit our criteria for purchase. We are confident that a number of high quality new sites will be secured in the current financial year and will continue to add value to our projects by navigating them through the intricate planning system. Inland Homes will also capture the development margin on some of its sites by delivering successful housing schemes.

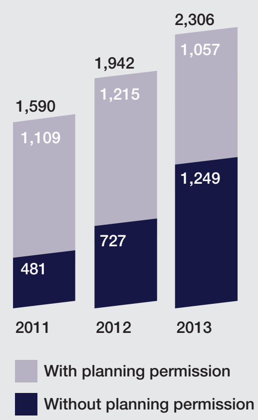
In summary, I am confident that our strategy will increase the value of our asset base in the medium term and deliver sound prospects for our shareholders.

Stephen Wicks
Chief Executive
31 October 2013

KPI

Number of plots with and without planning consent

up 19%
at 2,306
(2012: 1,942)




Show house at Drayton Garden Village, Middlesex

Drayton Garden Village, Middlesex

Case Study

Drayton Garden Village, managed by Inland Homes, is an eco-friendly neighbourhood of 773 family homes located near Heathrow in Middlesex and is perhaps the best example to date of Inland Homes putting sustainability at the heart of a development.

Read our case study on **Drayton Garden Village** 20

Nishith Malde and Stephen Wicks at the Sales Centre at Drayton Garden Village

Spring Green at Drayton Garden Village, Middlesex

Case Study


Gatekeepers at Drayton Garden Village, Middlesex

Location
Drayton Garden Village, Middlesex

Challenge
Creating a comfortable but sustainable community

The site is green in both appearance and functionality, typified by its energy centre.

Drayton Garden Village ("DGV"), managed by Inland Homes, is an eco-friendly neighbourhood of 773 family homes located near Heathrow in Middlesex. The 31 acre site, which also features a care home and commercial properties, is perhaps the best example to date of Inland Homes putting sustainability at the heart of a development. The site is green in both appearance and functionality, typified by its energy centre.

The story of DGV began in 2008, when the former RAF West Drayton site was identified as an excellent opportunity given its familiar location and proximity to Central London. DGVL recognised that Inland Homes could add value to the site and appointed the Group to manage the project.

The site was bought from the MOD in January 2009 by DGVL to which the Group provides property services in consideration for a share of the profit, which has increased from 35% to 74%, and is anticipated to increase further.

Once the site was purchased by DGVL, work began to plan a development that would enhance the local area and meet market need. In the nine months the outline planning application took to compile, a number of consultants were brought on board, opinions from local residents and politicians were canvassed, and sustainable energy providers were met with.

While this lengthy planning stage was in motion, on behalf of DGVL, Inland Homes creatively generated revenue by selling a wide variety of surplus assets that had been left on site, including excavating a very large amount of copper cables. This opportunism meant that by the time the planning was complete, the costs of the process had largely been covered by revenue generated from the site.

In October 2010, planning consent was granted for the site, and the first 59 plots were quickly sold for affordable housing. In January 2011, a further 89 plots were sold for private homes.

In March 2011, DGV gained the prestigious Land Award in recognition of Code for Sustainable Homes (Code 4), "zero" waste target and the district heating network being built on site with an energy centre. The energy centre will use combined heat and power (CHP) units and gas boilers to supply heat and hot water to every property on site, one of the first times such a system has been used across a development of houses and commercial units. The centre will benefit not only the environment, with a 40% reduction in carbon emissions, but also the residents will receive hot water and heat on demand.

During 2012, another 106 plots were sold, as well as the plot of land for a care home. July 2013 saw the start of construction on the first properties on site to be built by DGVL; of these 32 units 80% have sold.

As of October 2013, major infrastructure works on the site were substantially complete. 340 plots have been sold to date, with a further 107 contracted for sale. 326 residential plots remain, including the 32 properties that DGVL are building.

Read more online
www.inlandplc.com

Visit by Dominic Grieve QC MP and Attorney General (centre) with Planning Director Mark Gilpin (left) and a representative from E.ON

In March 2011, Drayton Garden Village gained the prestigious Land Award in recognition of Code for Sustainable Homes (Code 4), “zero” waste target and the district heating network being built on site with an energy centre.

Inside of the Energy Centre at Drayton Garden Village, Middlesex

Queensgate, Farnborough

Case Study

Queensgate features classic family homes and modern apartments set in a beautiful landscaped environment located close to Farnborough Airfield.

Read our case study on **Queensgate, Farnborough** 24

Artist's impression of apartments at Queensgate, Farnborough

Case Study

Homes constructed at Queensgate, Farnborough

Location

Queensgate, Farnborough

Challenge

Delivering a cohesive project through a number of developers

Queensgate was a key project that has helped Inland Homes to expand its operations as a housebuilder.

Queensgate was the first large site acquired by Inland Homes, in August 2006. Previously an RAF base, the development of the 24.5 acre site in Farnborough, Hampshire was hugely affected by the financial crisis, but is now well on its way to completion.

Prior to acquiring the site, the MOD were unsuccessful in gaining planning permission. Inland Homes acquired the site and secured planning consent for 399 residential homes and 100,000 sq ft of commercial properties within a year. This is a testament to the team's experience and capability in negotiating the potentially tricky planning and design stage.

Queensgate features classic family homes and modern apartments set in a beautiful landscaped environment located next to Farnborough Airfield. In planning for the site, Inland Homes took into account the needs of the local community, which led to the employment-generating consent for a care home.

Once consent had been secured, there were a number of issues to resolve on the site. Solutions were found for contamination due to the site's previous use and a number of ecological issues. The site is home to the UK's only human centrifuge, which is housed in a listed building. While Inland Homes can generate revenue from renting this in-demand piece of technology, its listed status was another hurdle to overcome in planning the residential development in the surrounding areas. Other income has been generated from the site throughout the planning process, including renting land to Farnborough International Airport.

The Queensgate project was the second that Inland Homes has used to expand its operations as a housebuilder. To date, 76 plots have been constructed by the Group, with another 60 under way. The success of the construction of a phase of 19 houses and apartments was a particular milestone in Inland Homes developing as a housebuilder.

150 other plots in the development have been sold to two major housebuilders and a Housing Association. As of October 2013, 113 plots and 100,000 sq ft of commercial space remain.

The success of the construction of a phase of 19 houses and apartments was a particular milestone in Inland Homes developing as a housebuilder.

Read more online
www.inlandplc.com

"We create a Design Code to ensure our vision for a development is followed by our contractors and other housebuilders. The document governs the look and feel of the buildings to bring consistency across the site. We believe in creating communities built around quality and comfort, that fit seamlessly into the local area."

Mark Gilpin
Planning Director

Showhome at Queensgate, Farnborough

West Plaza, Ashford, Middlesex

Case Study

West Plaza is a development of two modern apartment complexes in Ashford, Middlesex. Set around two formal courtyards for an attractive and relaxed environment.

Read our case study on **West Plaza, Ashford** 28

Artist's impression of West Plaza, Ashford, Middlesex

Case Study

Construction of basement car park at West Plaza

Location

West Plaza, Ashford, Middlesex

Challenge

Constructing a basement car park for 153 cars with 4 to 6 storey buildings above

The site is within just two miles of Heathrow Airport and two other large employers, as well as Ashford and St Peter's Hospital, and has excellent transport links to Central London.

West Plaza is a development of two modern apartment complexes in Ashford, Middlesex. Set around two formal courtyards for an attractive and relaxed environment, the site is within two miles of Heathrow Airport and two other large employers, as well as Ashford and St Peter's Hospital, and has excellent transport links to Central London.

The 1.5 acre site of the former Ashford Hospital was purchased from the NHS in 2007. It is one of the last sites Inland Homes acquired before, and subsequently held up by, the financial crisis. Planning consent was secured for 152 apartments — three three-bedroom and 149 one and two-bedroom apartments — in two complexes, with a basement car park.

West Plaza is another development that Inland Homes is using to expand its housebuilding operation. The Group has subcontracted the building of the development on a fixed price, minimising the construction risk to Inland Homes. Phase 1 of the site has commenced with the underground car park and the construction of the eastern building up to second floor level.

The first handover of properties for West Plaza is expected to take place in June 2014, with the entire development expected to be completed by June 2015.

The site will be sustainable, with a large number of Photovoltaic (PV) cells on the roof which will power the communal areas of the buildings and the excess will be returned to the national grid in exchange for revenue. This revenue will help to offset the costs of the building's management, benefitting the tenants financially.

West Plaza is an example of Inland Homes utilising the overseas property market to sell its properties for the first time. A recent visit to Hong Kong saw the Group's team sell 12 apartments.

Read more online
www.inlandplc.com

Artist's impression of the Courtyard at West Plaza

Risk and Risk Management

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

	Risk	Potential impact	Strategy/Mitigation
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 workplace 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 availability of bank funding for land acquisition	May have an adverse effect on the Group's progress	The Group continues to seek finance from alternative lending sources to improve its liquidity

"We take pride in the homes we build, focusing on attractive design and sustainability. We incorporate a range of property types and sizes to suit a wide customer base."

Pedro Longras
Development Director

Artist's impression of apartments at Drayton Garden Village, Middlesex

Board of Directors

Terry Roydon
Non-executive Chairman

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 £140 million. 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 with 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. From 1995 to 1997 he was President of the European Union of Housebuilders and Developers.

Stephen Wicks
Chief Executive

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 £6.9 million. He directed the growth of Country & Metropolitan plc until its disposal in April 2005 to Gladedale Holdings plc for approximately £72 million.

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

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

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 Bennet is currently Head of Corporate Broking at Sanlam Securities and is also Non-executive Chairman of Energiser Investments plc and a number of other private companies.

Paul Brett
Land Director

Has been involved in the housebuilding 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.

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.

● Member of the Audit Committee
● Member of the Remuneration Committee

Directors' Report

The Directors present their report and the financial statements of the Group and the Company for the year ended 30 June 2013.

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 44 and the Group's financial position at the end of the year is set out in the Group Statement of Financial Position on page 45. 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 0.27p per share (2012: 0.067p).

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 12 to 14. 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 on page 30 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.

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 DGVL 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. Some 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 32 and 33 held office as at 30 June 2013. 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 2013 were as follows:

	As at 30 June 2013			As at 30 June 2012		
	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**	16,237,332	490	1,500,000
N Malde	**11,220,500**	**392**	**1,500,000**	11,072,400	392	1,500,000
P Brett	**3,444,214**	**98**	**1,100,000**	3,444,214	98	1,100,000
T Roydon	**325,000**	**—**	**—**	325,000	—	—
S Bennett	**110,000**	**—**	**—**	110,000	—	—

T Roydon and S Bennett 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

Details of Directors' remuneration can be found in the Directors' Remuneration Report on pages 39 to 41.

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 31 October 2013, 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	21,000,000	10.50
Karoo Investment Fund SCA SICAV SIF	13,502,280	6.75
A K Brett	11,500,000	5.75
Henderson Global Investors Limited	9,844,395	4.92
Ennismore Fund Management Limited	7,559,259	3.78
Downing LLP	6,935,512	3.47

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 £12,000 (2012: £23,000). 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 (2012: £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 2013 the Group had an average of 57 days' (2012: 93 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. 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 2012 the Audit Committee has met three 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 and the Finance Director. During the year the committee met six times 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.

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 has significant forward sales of residential units and 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 12 months from signing these financial statements. The Directors therefore can consider it appropriate to prepare the financial statements on the going concern basis.

Directors' Report continued

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 adopted 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 5 December 2013.

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
31 October 2013

Directors' Remuneration Report

There is no requirement for companies quoted on AIM to produce a formal remuneration report. As a consequence, this Remuneration Report is produced for information purposes in order to give shareholders and other users of the financial statements greater transparency about the way in which the Directors of Inland Homes are remunerated.

This report sets out the remuneration paid to the Directors for the year ended 30 June 2013 and the remuneration policy for the forthcoming financial year and beyond.

Composition and role of the Remuneration Committee

The Board have established a Remuneration Committee which currently consists of Simon Bennett, independent Non-executive Director, who is Chairman of the committee and Terry Roydon, the Company's Non-executive Chairman. The role of the Remuneration Committee is to determine the specific remuneration package for each of the Executive Directors and no Director is involved in any decisions that will affect his own remuneration. The Remuneration Committee has access to information provided by the Chief Executive, Stephen Wicks and the Finance Director, Nishith Malde and independent advice from external consultants (currently MM&K) where it considers this to be appropriate.

The Remuneration Committee meets formally three times a year and on such other occasions as may be required.

Policy for Executive Directors' remuneration

The policy for Executive Directors' remuneration is designed to attract, motivate and retain high calibre individuals with a competitive remuneration package. The remuneration policy takes into account the overall performance of the Company and the individual Executive Directors and the prevailing pay structures in the markets in which Inland Homes operates.

The Executive Directors' remuneration is designed to provide a balance between fixed and variable rewards, although it is recognised that it is common industry practice for total remuneration to be significantly influenced by annual bonuses and long term incentive plans. Consequently, remuneration packages for individual Executive Directors comprise a basic salary, discretionary annual bonuses, long term incentive awards and benefits in kind. In agreeing the basic salary and annual bonuses, in addition to the factors outlined above, the Remuneration Committee takes into account the aggregate remuneration to be received by the individual Executive.

Basic salary

The basic salaries of the Executive Directors are reviewed on an annual basis. The Remuneration Committee seeks to establish a basic salary for each position commensurate with the individual's responsibilities and performance, and takes into account comparable salaries for similar companies of a similar size in the same market.

Annual discretionary bonuses

The award of an annual bonus to an Executive Director is on a discretionary basis and takes into account the performance of the Company on a number of different criteria against the performance of its peers in the markets in which Inland Homes operates and the contribution of each individual Director towards this performance.

Executive Directors can earn up to 100% of basic annual salary as an annual bonus.

Long Term Incentive Plan

The Company operates both an unapproved share option scheme and a Long Term Incentive Plan ("LTIP").

Awards under the unapproved share option scheme are made on a periodic basis to the Company's employees. The share options in this scheme vest three years after the date of grant and have an exercise period of seven years. This scheme is cash settled.

The Company's existing LTIP (the "2007 LTIP") has been in existence since the Company was floated on AIM in April, 2007. At the time the three Executive Directors of Inland Homes, namely Stephen Wicks, Chief Executive, Nishith Malde, Finance Director and Paul Brett, Land Director, were awarded a number of redeemable shares of £1 each. The redeemable shares are not entitled to receive any dividends but in the event of a takeover (or return of capital to shareholders on a winding up), the holders of the redeemable shares would be able to redeem these shares at a price which is calculated so as to attribute to all the redeemable shares a value equivalent to the difference between the takeover price per ordinary share (or the total to be returned to shareholders on a winding up) and 35p multiplied by 11,123,494. The rights to these redeemable shares would be exercisable provided the Executive was still employed by the Company and that the total return to ordinary shareholders exceeds 10% per annum compound annually over a base price of 50p (equivalent to the placing price on the Company's flotation) per ordinary share. Further details of the existing redeemable shares are set out in Note 21 on page 68.

The remuneration committee no longer considers that the 2007 LTIP provides sufficient incentive to the Executive Directors. The original strategy of Inland Homes was to build up a land bank which would be attractive to a major industry buyer. The bankruptcy of Lehman Brothers in 2008 was followed by a subsequent global financial crisis where the provision of credit by lending banks became increasingly scarce and the ability to borrow funds on land with no planning consent disappeared completely. Share prices of companies in the housebuilding and property sectors were particularly hard hit at that time and many of these companies went into liquidation.

Directors' Remuneration Report continued

In order to achieve any benefit from the 2007 LTIP, the value of an ordinary share on a takeover (or a return of capital to shareholders on a winding up) would have to be 88.6p (as compared with a price per ordinary share of 47.5p on 30 October 2013, the latest practical date before the publication of these financial statements). As a consequence the Remuneration Committee, having taken advice from independent remuneration consultants, have concluded that the 2007 LTIP no longer provides any realistic incentive to the Executive Directors and should therefore be scrapped and a new scheme introduced. Details of the proposed changes to the LTIP will be sent to shareholders in due course.

Other benefits

Depending on the exact terms of the individual Executive's service contract with the Company, they are entitled to a range of benefits including either a car allowance or a fully expensed company car, contributions to pension schemes, private fuel, private health care insurance, permanent and death in service insurance.

Service contracts and notice periods

Each of the Executive Directors are employed on rolling contracts subject to one year's notice from either Inland Homes or the Executive Director in relation to Nishith Malde and Stephen Wicks and three months' notice in relation to Paul Brett and contain confidentiality provisions and restrictive covenants for the Company's protection. The current service contracts of the Executive Directors are available for inspection at the Company's registered office during normal office hours and at Inland Homes' Annual General Meeting ("AGM") until the conclusion of the AGM.

The Executive Directors' service contracts do not provide specifically for any termination payments, although the Company might make payments in lieu of notice. For this purpose, such payments would consist of basic salary and other benefits for the relevant period excluding any annual discretionary bonus.

Non-executive Directors

Inland Homes has two independent Non-executive Directors, namely Terry Roydon, the Chairman and Head of the Audit Committee and Simon Bennett, Head of the Remuneration Committee. Both Non-executive Directors have letters of appointment, initially for a three year period and thereafter on six months' notice from either Inland Homes or the individual and contain confidentiality provisions for the Company's benefit.

The Non-executive Directors' letters of appointment do not provide specifically for any termination payments, although the Company might make payments in lieu of notice. The current letters of appointment of the Non-executive Directors are available for inspection at the Company's registered office during normal office hours and at Inland Homes' Annual General Meeting ("AGM") until the conclusion of the AGM.

Non-executive Directors' fees are determined by the Executive Directors, having regard to the requirement to attract high calibre individuals with the right experience, the time requirements and the responsibilities incumbent on an individual acting as a Non-executive Director for a company, such as Inland Homes, listed on AIM. The Non-executive Directors are not eligible for annual discretionary bonuses and do not participate in the Company's long term incentive plans.

Directors' emoluments for the year ended 30 June 2013

A review of the financial results for the year ended 30 June 2013, as more fully set out in the Chairman's Statement and the Chief Executive's Review, demonstrates the robustness of the Company's business model and strategy. With turnover up by over 400%, operating profit up by over 370%, profit before tax up by over 225% and earnings per share up nearly fivefold, the Company comprehensively beat its market forecasts.

Executive Directors at Inland Homes are permitted to earn up to 100% of basic annual salary as an annual bonus. As a consequence of the strong overall performance of the Company, the Remuneration Committee made annual discretionary bonus awards to Stephen Wicks and Nishith Malde of £75,000 each (approximately 27% of basic annual salary) and to Paul Brett an award of £50,000 (approximately 27% of basic annual salary). Half of these annual discretionary awards (after the deduction of income tax and national insurance contributions) were to be used to buy shares in the Company. As announced in October 2013 Stephen Wicks, Nishith Malde and Paul Brett bought respectively 50,000, 49,529 and 60,000 ordinary shares in Inland Homes plc. In addition, there having been no basic salary increases for the Executive Directors for the last 18 months, the Remuneration Committee awarded each of the Executive Directors an annual salary increase of approximately 5% with effect from 1 July 2013.

In June 2013 a total of 550,000 options were awarded to the Company's staff under the unapproved share option scheme. No options were granted to the Executive Directors.

The remuneration of each Director during the year ended 30 June 2013 is set out in detail in the table below:

Directors' remuneration table

	2013							2012
	Salary/fees £000	Bonus £000	Benefits £000	Pension £000	Total remuneration £000	Social security costs £000	Total remuneration & social security £000	Total £000
Executive Directors								
S D Wicks*	330	75	31	–	436	57	493	519
N Malde	280	75	26	50	431	50	481	506
P Brett	187	50	12	10	259	33	292	251
Non-executive Directors								
T Roydon	45	–	–	–	45	–	45	38
S Bennett	35	–	–	–	35	–	35	30

* S D Wicks has taken his pension entitlement as part of his salary.

Corporate, Social, Ethical and Environmental Responsibilities

All our developments are designed to ensure that our residents can live as sustainably as possible. We install renewable energy in our homes which ensures cheaper energy.

At Inland Homes we are committed to sustainable development as we understand the new homes we build today are going to be around for many years to come, and building quality homes means respecting the environment. We consider the whole life cycle of development from site preparation, responsible procurement use during construction through to how the home operates over the lifetime of the house.

All our developments are designed to ensure that our residents can live as sustainably as possible. So our homes are built with materials with the lowest possible environmental impact, we provide cycle parking so residents can choose more sustainable transport modes, there is dedicated space in all our kitchens for recycling bins, we ensure our homes use water efficiently and that energy consumption is reduced as far as possible. Energy reduction is achieved through good levels of natural daylight in living rooms, kitchens and bedrooms, low energy lighting is installed throughout every home, and we build to very high standards of insulation to minimise heat loss through walls, windows and roofs. We install renewable energy in our homes which ensures cheaper energy bills for our residents.

We have received prestigious awards recognising the sustainable credentials of the developments we work on, such as “zero” waste to landfill during demolition and construction of DGV along with the Land Award sponsored by the Land Trust, at the 2011 Sustain Magazine Awards for achieving 40% carbon reduction across the same development.

Play area on Spring Green at Drayton Garden Village, Middlesex

Dominic Grieve QC MP and Attorney General (right) with a representative from E.ON at the Energy Centre at DGV

No two sites are the same and on each scheme, we tailor the scheme to achieve our carbon and energy standards in the most appropriate manner.

DGV was planned on the basis of Garden City principles and the district heating system that provides heat to all the homes gives an added dimension to the idea of neighbourhoods working as communities. People are now living on the site which is one of the first private sector schemes to be built in London with such a system since it was advocated by the London Plan. The scheme has become an exemplar of its type and is visited regularly by MPs and interested experts.

No two sites are the same and on each scheme, we tailor the scheme to achieve our carbon and energy standards in the most appropriate manner. All schemes are delivered through the Code for Sustainable Homes or BREEAM accreditation systems.

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 2013 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, 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 38, 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 Financial Reporting Council'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 2013 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.

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 2013.

Robert Napper
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Reading
31 October 2013

Group Income Statement

for the year ended 30 June 2013

Continuing operations	Note	2013 £000	2012 £000
Revenue	6	**31,116**	6,110
Cost of sales	7	**(23,431)**	(2,224)
Gross profit		**7,685**	3,886
Administrative expenses		**(2,652)**	(2,679)
Profit/(loss) on investments		**48**	(145)
Operating profit		**5,081**	1,062
Finance cost – interest expense	9	**(1,419)**	(698)
Finance cost – notional interest	9	**(270)**	(115)
Finance income – notional interest	10	**226**	237
Finance income – interest receivable and similar income	10	**83**	87
		3,701	573
Share of profit from Howarth (former associate)	14	**330**	307
Reverse impairment of investment in Howarth (former associate)	14	**—**	500
Profit on disposal of investment in Howarth (former associate)	14	**292**	—
Share of profit of joint venture	14	**889**	217
Profit before tax		**5,212**	1,597
Income tax	11	**(1,559)**	(838)
Profit for the year		**3,653**	759
Attributable to:			
Equity holders of the Company		**3,653**	759
Earnings per share for profit attributable to the equity holders of the Company during the year			
– basic	12	**1.98p**	0.41p
– diluted	12	**1.97p**	0.41p

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

Group Statement of Comprehensive Income

for the year ended 30 June 2013

	Note	2013 £000	2012 £000
Profit for the year	22	**3,653**	759
Other comprehensive income		**—**	—
Total comprehensive income for the year		**3,653**	759

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

Group Statement of Financial Position

at 30 June 2013

	Note	2013 £000	2012 £000
ASSETS			
Non-current assets			
Investment property	13	**7,681**	8,801
Property, plant and equipment	13	**173**	68
Investments	14	**1,363**	1,114
Joint ventures	14	**243**	2,563
Investment in Howarth (former associate)	14	**—**	822
Receivables due in more than one year	17	**55**	55
Deferred tax	15	**3,414**	4,275
Total non-current assets		**12,929**	17,698
Current assets			
Inventories	16	**44,736**	43,776
Trade and other receivables	17	**15,085**	2,632
Loan to Howarth (former associate)	18	**1,000**	1,000
Listed investments held for trading (carried at fair value through profit and loss)	19	**1**	1
Cash and cash equivalents	20	**12,154**	575
Total current assets		**72,976**	47,984
Total assets		**85,905**	65,682
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	21	**20,131**	18,301
Share premium account	22	**33,695**	30,794
Treasury shares	22	**(366)**	(366)
Special reserve	22	**6,059**	6,059
Retained earnings	22	**(1,789)**	(5,382)
Total equity		**57,730**	49,406
LIABILITIES			
Current liabilities			
Bank loans and overdrafts	28	**1,613**	1,111
Other loans	28	**4,710**	5,875
Trade and other payables	23	**3,559**	2,522
Corporation tax	23	**625**	—
Other financial liabilities	24	**7,947**	6,768
Total current liabilities		**18,454**	16,276
Non-current liabilities			
Zero dividend preference shares	24	**9,721**	—
Total non-current liabilities		**9,721**	—
Total equity and liabilities		**85,905**	65,682

The financial statements were approved and authorised for issue by the Board of Directors on 31 October 2013.

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 2013

	Share capital £000	Share premium £000	Treasury shares £000	Special reserve £000	Retained earnings £000	Total £000
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
Share-based payment	—	—	—	—	62	62
Dividend payment	—	—	—	—	(122)	(122)
Issue of equity	1,830	2,901	—	—	—	4,731
Transactions with owners	1,830	2,901	—	—	(60)	4,671
Total comprehensive income for the year	—	—	—	—	3,653	3,653
Total changes in equity	1,830	2,901	—	—	3,593	8,324
At 30 June 2013	**20,131**	**33,695**	**(366)**	**6,059**	**(1,789)**	**57,730**

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

Group Statement of Cash Flows

for the year ended 30 June 2013

	Note	2013 £000	2012 £000
Cash flow from operating activities			
Profit for the year before tax		**5,212**	1,597
Adjustments for:			
– depreciation	13	**49**	38
– profit on disposal of property, plant and equipment		**(9)**	—
– share-based compensation		**62**	166
– fair value adjustment for movement in value of DGVL investment		**(48)**	145
– interest expense		**1,689**	813
– interest and similar income		**(308)**	(324)
– share of profit of Howarth (former associate)		**(330)**	(307)
– reverse impairment of investment in Howarth (former associate)		**—**	(500)
– profit on disposal of investment in Howarth (former associate)		**(292)**	—
– share of profit in joint venture		**(889)**	(217)
Changes in working capital:			
– increase in investments		**219**	(250)
– decrease/(increase) in inventories		**161**	(19,672)
– (increase)/decrease in trade and other receivables		**(12,228)**	7,904
– decrease in receivables due in more than one year		**—**	15
– increase in trade and other payables		**1,744**	4,330
Net cash outflow from operating activities		**(4,968)**	(6,262)
Cash flow from investing activities			
Interest received		**83**	87
Purchases of property, plant and equipment	13	**(156)**	(30)
Sale of property, plant and equipment		**11**	—
Distribution from joint venture		**2,995**	—
Net proceeds on sale of investment in Howarth (former associate)		**1,364**	—
Net cash inflow from investing activities		**4,297**	57
Cash flow from financing activities			
Interest paid		**(1,072)**	(677)
Repayment of borrowings		**(6,531)**	—
New loans		**15,244**	4,323
Equity dividends paid to ordinary shareholders		**(122)**	—
Net proceeds on issue of ordinary shares		**4,731**	—
Receipt of loan repayment from Howarth (former associate)		**—**	895
Net cash inflow from financing activities		**12,250**	4,541
Net increase/(decrease) in cash and cash equivalents		**11,579**	(1,664)
Net cash and cash equivalents at beginning of year		**575**	2,239
Net cash and cash equivalents at end of year		**12,154**	575

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

Notes to the Group Financial Statements

for the year ended 30 June 2013

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 2013.

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.

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

- IFRS10 Consolidated Financial Statements
- IFRS11 Joint Arrangements
- IFRS12 Disclosure of Interests in Other Entities
- IAS27 (Revised) Separate Financial Statements
- IAS28 (Revised) Investments in Associates and Joint Ventures

Standards in issue but not yet effective

- IFRS9 Financial Instruments (effective 1 January 2015)
- IFRS13 Fair Value Measurement (effective 1 January 2013)
- IAS19 Employee Benefits (Revised June 2011) (effective 1 January 2013)
- Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS7 (effective 1 January 2013)
- Offsetting Financial Assets and Financial Liabilities — Amendments to IAS32 (effective 1 January 2014)

The Directors are currently considering the potential impact of IFRS10, 11 and 12 on the accounting for the Group's investment in Drayton Garden Village. Full details of the impact, if any, will be included in the Interim Financial Statements prepared for the six month period ending 31 December 2013.

None of the other standards above are expected to 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 2013. 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.

1. Accounting policies continued

Basis of consolidation *continued*

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 has significant forward sales of residential units and 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 12 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.

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.

Notes to the Group Financial Statements continued

for the year ended 30 June 2013

1. Accounting policies continued

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 IAS18.

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.

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.

1. Accounting policies continued

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. As a result, investment properties are not depreciated.

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.

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.

Notes to the Group Financial Statements continued

for the year ended 30 June 2013

1. Accounting policies continued

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.

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 and financial assets at fair value through profit or loss. 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 reclassified 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 reclassified 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.

1. Accounting policies continued

***Financial assets** continued*

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.

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 reissued, any consideration received is included in total equity;
- 'Special reserve' represents the distributable 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.

Notes to the Group Financial Statements continued

for the year ended 30 June 2013

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:

	2013 £000	2012 £000
Classes of financial assets – carrying amounts		
Listed investments held for trading	**1**	1
Loan to Howarth (former associate)	**1,000**	1,000
Cash and cash equivalents	**12,154**	575
Trade and other receivables	**15,085**	2,632
Receivables due in more than one year	**55**	55
	28,295	4,263

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 IFRS8, 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.

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. Critical accounting estimates relate to the profit forecasts used to determine the extent to which deferred tax assets are recognised from available losses.

(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

Investment properties are reviewed annually for impairment; critical accounting estimates relate to the forecasts prepared in order to assess the carrying value.

(e) Discounting on deferred consideration of inventories

The Group discounts deferred consideration of inventories by discounted cash flow method; the Group considers that the cost of debt capital is the most appropriate 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.

Zero Dividend Preference shares

The Group has in issue Zero Dividend Preference shares which are accounted for as debt. ZDP shares are repayable, plus accrued interest to date, in the event of a takeover. The Directors consider that the potential early repayment meets the definition of a derivative instrument under IAS39. However, they consider that this instrument is closely related to the host contract and therefore have not accounted for the embedded derivative separately.

Notes to the Group Financial Statements continued

for the year ended 30 June 2013

4. Critical accounting estimates and judgements continued

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

Investments

The Group has entered into an Option and Development Services Agreement (The Agreement) with DGVL. The Directors have considered the requirements of IAS27 '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 advisers, 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 2013 the funding arrangements in place for the satisfaction of deferred consideration entitled Inland to 74.4% of the profits expected to be realised from the sale of the property over the life of the project. In accordance with The Agreement, 67.44% 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 IAS18. 6.96% of the profits would be due to the Group for the provision of finance to DGVL and would be accounted for under IAS39 as notional interest income.

In calculating the fee for the provision of planning application and property services to DGVL recognised in the year, under IAS18 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 2013 the Group has recognised £3.00 million (2012: £3.65 million) in revenue within the Group Income Statement for such services to DGVL.

In calculating the fee for the provision of finance to DGVL, under IAS39 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.

Under IAS39 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 2013 the Group has recognised £0.25 million (2012: £0.24 million) within notional interest income in the Group Income Statement in respect of such fees.

4. Critical accounting estimates and judgements continued

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

Investments continued

The table below shows the revenue and notional interest recognised by Inland under IAS18 and IAS39 in comparison to the results recognised by DGVL on its sales under UK GAAP:

	2013 £000	2012 £000	Cumulative £000
Total revenue and notional interest recognised by Inland under IAS18 and 39	**3,252**	3,885	11,154
Results in DGVL (unaudited)			
Residential and commercial plots sold	**76**	118	342
Revenue (£000)	**5,300**	8,460	24,846
Gross profit (£000) as per DGVL's unaudited management accounts	**1,668**	2,801	10,098
74.4% of gross profit (£000)	**1,241**	2,084	7,513

The accounting policy for revenue recognition by DGVL is as follows:

Turnover comprises the sale of land acquired for resale, the sale of equipment and materials and amounts receivable by the Company in respect of other services rendered during the period excluding value added tax. Turnover in respect of the sale of land is recognised at the point of completion, when the title passes. Turnover from other services is recognised as the service is delivered. Turnover on the sale of equipment is recognised on the completion of the sale.

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 £1.5 million (2012: £nil) during the year which is recognised in cost of sales.

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:

Segmental analysis by activity

2012	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	—	(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									
– Profit/(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

Notes to the Group Financial Statements continued

for the year ended 30 June 2013

6. Income and segmental analysis continued

Segmental analysis by activity continued

2013	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	**16,353**	**(14,400)**	**1,953**	**—**	**—**	**1,953**	**(1,054)**	**—**	**899**
Housebuilding	**11,426**	**(9,020)**	**2,406**	**—**	**—**	**2,406**	**(288)**	**—**	**2,118**
Fee income	**3,027**	**—**	**3,027**	**—**	**—**	**3,027**	**254**	**—**	**3,281**
Rental income	**300**	**(11)**	**289**	**—**	**—**	**289**	**—**	**—**	**289**
Other property sale	**10**	**—**	**10**	**—**	**—**	**10**	**—**	**—**	**10**
Other									
– Profit/(loss) on investments	**—**	**—**	**—**	**—**	**48**	**48**	**—**	**—**	**48**
– Share of profit from Howarth (former associate)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**330**	**330**
– Profit on sale of investment in Howarth (former associate)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**292**	**292**
– Share of profit of joint venture	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**889**	**889**
– Unallocated	**—**	**—**	**—**	**(2,652)**	**—**	**(2,652)**	**(292)**	**—**	**(2,944)**
	31,116	**(23,431)**	**7,685**	**(2,652)**	**48**	**5,081**	**(1,380)**	**1,511**	**5,212**

All activities arose solely in the United Kingdom.

Transactions with customers making up 10% or more of revenue	2013 £000	2012 £000
Land sales customer 1	**3,135**	—
Land sales customer 2	**7,410**	—
Land sales customer 3	**3,330**	—
Fee income customer 4	**—**	3,452
	13,875	3,452

6. Income and segmental analysis continued

Segmental analysis by activity *continued*

	2013 £000	2012 £000
Segment assets		
Land:		
Non-current assets — investment property	**7,681**	8,801
Non-current assets — deferred tax	**3,159**	4,275
Current assets – inventories	**37,221**	35,901
Current assets – other	**341**	35
	48,402	49,012
Housebuilding:		
Non-current assets — deposit match debtor	**55**	55
Current assets — inventories	**7,515**	7,875
Current assets — other	**498**	9
	8,068	7,939
Fees:		
Non-current assets — investment	**1,363**	1,114
Current assets — debtor	**12,870**	1,507
Current assets — other	**808**	808
	15,041	3,429
Other:		
Non-current assets — joint venture	**243**	3,385
Non-current assets — other	**173**	68
Non-current assets — deferred tax	**255**	—
Current assets — loan to Howarth (former associate)	**1,000**	1,000
Current assets — other	**569**	274
Cash	**12,154**	575
	14,394	5,302
Total segmental and entity assets	**85,905**	65,682

Notes to the Group Financial Statements continued

for the year ended 30 June 2013

6. Income and segmental analysis continued

Segmental analysis by activity continued

	2013 £000	2012 £000
Segment liabilities		
Land:		
Current liabilities — trade creditors	851	460
Current liabilities — loans	832	5,875
Current liabilities — other	1,056	
Current liabilities — purchase consideration	7,947	6,768
	10,686	13,103
Housebuilding:		
Current liabilities — trade creditors	1,216	943
Current liabilities — other loans	3,878	—
Current liabilities — bank loans	1,613	1,111
Current liabilities — other creditors	363	—
	7,070	2,054
Fees:		
Current liabilities — trade creditors	—	45
Current liabilities — other creditors	200	250
	200	295
Other:		
Current liabilities — trade creditors	65	88
Current liabilities — other creditors	433	736
Non-current liabilities — zero dividend preference shares	9,721	—
	10,219	824
Total segmental and entity liabilities	28,175	16,276

7. Expenses by nature

	Note	2013 £000	2012 £000
Depreciation	13	49	38
Operating lease rentals		68	68
Auditor's remuneration:			
— audit		41	39
— non-audit fees Parent Company		16	28
— non-audit fees Subsidiaries		10	10
Cost of sales		23,431	2,224
Other expenses		2,468	2,496
Total		26,083	4,903
Classified as:			
— cost of sales		23,431	2,224
— administrative expenses		2,652	2,679
		26,083	4,903

Included within Revenue is rental income from investment property of £nil (2012: £10,000).

8. Directors and employees

The employee benefit expense during the year was as follows:

	2013 £000	2012 £000
Wages and salaries	**1,637**	1,577
Social security costs	**206**	191
Pension costs — defined contribution plans	**80**	79
	1,923	1,847

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

	2013 Number	2012 Number
Management	**4**	4
Administration	**10**	9
	14	13

Remuneration in respect of Directors was as follows:

	2013 £000	2012 £000
Wages and salaries	**866**	821
Bonuses	**200**	246
Social security costs	**140**	141
Fees	**80**	68
Pension costs — defined contribution plans	**60**	68
	1,346	1,344

During the year two Directors participated in a money purchase pension scheme.

Notes to the Group Financial Statements continued

for the year ended 30 June 2013

8. Directors and employees continued

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

	2013 £000	2012 £000
Emoluments	**436**	458

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 were as follows:

	2013 £000	2012 £000
Wages and salaries	**989**	924
Bonuses	**215**	254
Social security costs	**156**	155
Pension costs — defined contribution plans	**65**	66
Share-based payment	**58**	161
	1,483	1,560

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

	As at 30 June 2013		As at 30 June 2012	
	Number of deferred shares	Number of share options	Number of deferred shares	Number of share options
Key personnel and Directors	**980**	**4,350,000**	980	4,200,000

9. Finance cost

	2013 £000	2012 £000
Interest expense:		
— bank borrowings	**169**	60
— other loan interest	**881**	454
— notional interest on deferred consideration	**270**	115
— costs associated with arrangement of new facilities	**369**	184
	1,689	813

10. Finance income

	2013 £000	2012 £000
Other interest receivable	**78**	86
Bank interest receivable	**5**	1
Notional interest	**226**	237
	309	324

11. Income tax

	2013 £000	2012 £000
Tax charge on associate and joint venture profits	**73**	137
Current tax charge	**625**	—
Deferred tax charge due to change of corporation tax rate	**—**	382
Deferred tax charge	**861**	319
	1,559	838

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:

	2013 £000	2012 £000
Profit before tax	**5,212**	1,597
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24% (2012: 26%)	**1,251**	415
Expenses not deductible for tax purposes	**122**	(77)
Profit on disposal of associate	**(207)**	—
Other temporary differences	**9**	126
Utilisation of tax losses	**(554)**	(327)
Difference between capital allowances and depreciation	**4**	(1)
Tax charge	**625**	136

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.

	2013	2012
Profit attributable to equity holders of the Company (£000)	**3,653**	759
Net assets attributable to equity holders of the Company (£000)	**57,730**	49,406
Weighted average number of ordinary shares in issue (000)	**184,860**	182,999
Dilutive effect of options (000)	**872**	51
Weighted average number of ordinary shares used in determining diluted EPS (000)	**185,732**	183,050
Basic earnings per share in pence	**1.98p**	0.41p
Diluted earnings per share in pence	**1.97p**	0.41p
Shares in issue (000)	**201,299**	182,999
Net asset value per share in pence	**28.68p**	27.00p

Notes to the Group Financial Statements continued

for the year ended 30 June 2013

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 2011	8,801	5	49	75	80	209
Additions	—	—	—	21	9	30
At 30 June 2012	8,801	5	49	96	89	239
Additions	—	—	106	48	2	156
Disposals	—	—	(32)	—	—	(32)
Transfer to inventories	(1,120)	—	—	—	—	—
At 30 June 2013	**7,681**	**5**	**123**	**144**	**91**	**363**
Depreciation						
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
Depreciation charge	—	1	16	20	12	49
Disposals	—	—	(30)	—	—	(30)
At 30 June 2013	**—**	**4**	**33**	**75**	**78**	**190**
Net book value						
At 30 June 2013	**7,681**	**1**	**90**	**69**	**13**	**173**
At 30 June 2012	8,801	2	2	41	23	68
At 30 June 2011	8,801	3	11	35	27	76

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

The Investment Property was valued by CBRE Ltd in March 2013 in accordance with the current edition of the RICS Valuation Professional Standards, published by the Royal Institution of Chartered Surveyors, at £11.05 million. 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, as it is reviewed annually for impairment. The Directors do not consider the current fair value to be significantly different to the carrying value.

The historical cost of the investment property at 30 June 2013 as noted in Poole Investments plc's (Poole) financial statements is £1,092,673 (2012: £1,252,000).

The direct operating expenses for the period arising from the investment property was £11,000 (2012: £29,000). The investment property generated no rental income during the period.

14. Investments

	Investment in Howarth (former associate) £000	Option £000	Investment in joint venture £000	Total £000
Cost or fair value				
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 Howarth (former associate)	500	—	—	500
Fair value adjustment	—	(145)	—	(145)
Movement during the year to 30 June 2012	726	105	162	993
At 30 June 2012	**822**	**1,114**	**2,563**	**4,499**
Additions	—	200	—	200
Share of profit after tax	250	—	676	926
Net proceeds on disposal of investment in Howarth (former associate)	(1,364)	—	—	(1,364)
Realised gain on sale of investment in Howarth (former associate)	292	—	—	292
Distributions from joint ventures	—	—	(2,996)	(2,996)
Fair value adjustment	—	49	—	49
Movement during the year to 30 June 2013	(822)	249	(2,320)	(2,893)
Net book value				
At 30 June 2013	**—**	**1,363**	**243**	**1,606**
At 30 June 2012	822	1,114	2,563	4,499

During the year ended 30 June 2012, the Directors 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 a indicative offer received during the year. During the year ended 30 June 2013 Howarth purchased Inland's holding in that company for a consideration of £1.4 million.

On 18 December 2008, Inland entered into an Option and Development Services Agreement with DGVL 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, 2012 and 2013, the option period was extended to expire on 15 January 2019 in consideration of £1,200,000. In accordance with the Group's accounting policy for financial assets, the option has been measured at fair value at 30 June 2013, which resulted in a fair value gain of £49,000 (2012: loss of £145,000) that has been recognised in the Group Income Statement, resulting in the option being valued at £163,000 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.

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 £nil (2012: £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 2013 amounts to £676,000 (2012: £162,000) that has been recognised in the Group Income Statement. The related tax amounts to £213,000 (2012: £55,000).

Notes to the Group Financial Statements continued

for the year ended 30 June 2013

14. Investments continued

At 30 June 2013 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
Inland New Homes Limited	England & Wales	Real estate development	100%	Ordinary
Inland ZDP plc	England & Wales	Provision of finance	100%	Ordinary

15. Deferred tax

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

	£000
At 1 July 2012	4,275
Income statement charge	(861)
At 30 June 2013	**3,414**

The movement in deferred tax assets is as follows:

	Accelerated tax depreciation £000	Losses £000	Other £000	Total £000
At 1 July 2012	(3)	3,407	871	4,275
Charged to income statement	3	(771)	(93)	(861)
At 30 June 2013	**—**	**2,636**	**778**	**3,414**

The deferred tax asset is recoverable as follows:

	2013 £000	2012 £000
Deferred tax asset to be recovered after twelve months	**2,512**	2,724

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 £17,162,000 (2012: £17,162,000) that have not been recognised as the Directors consider the realisation of the losses is not expected to crystallise in the future.

16. Inventories

	2013 £000	2012 £000
Stock and work in progress	**44,736**	43,776

During the year a total of £23,431,000 (2012: £2,151,000) 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 £1.5 million (2012: £nil). Included in the value of inventories above is £18.2 million (2012: £15.2 million) which is carried at fair value less costs to sell (net realisable value). The amount of inventories pledged as security against borrowings is £29.5 million (2012: £23.8 million).

17. Trade and other receivables

	2013 £000	2012 £000
Prepayments and accrued income	**870**	891
Other receivables	**14,215**	1,741
Other receivables due in more than one year	**55**	55
	15,140	2,687

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 £13.7 million (2012: £1.5 million) 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.

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

18. Loan to Howarth (former associate)

	2013 £000	2012 £000
Advances to Howarth (former associate)	**1,000**	1,000

£500,000 is repayable on 30 June 2014 and the final £500,000 is repayable a year later. The loan attracts interest of 8% per annum above the National Westminster Bank PLC base rate.

19. Listed investments held for trading

	£000
At 1 July 2012	1
Movements during the year	–
At 30 June 2013	**1**

20. Cash and cash equivalents

	2013 £000	2012 £000
Cash at bank and in hand	**12,154**	575

Notes to the Group Financial Statements continued

for the year ended 30 June 2013

21. Share capital

	2013 £000	2012 £000
Authorised		
239,990,000 (2012: 239,990,000) ordinary shares of 10p each	**23,999**	23,999
1,000 (2012: 1,000) redeemable shares of £1 each	**1**	1
	24,000	24,000

	2013 £000	2012 £000
Allotted, issued and fully paid		
201,299,432 (2012: 182,999,484) ordinary shares of 10p each	**20,130**	18,300
980 (2012: 980) redeemable shares of £1 each	**1**	1
180 (2012: 180) deferred shares of 10p each	**—**	—
	20,131	18,301

The Company currently holds 1,325,000 (2012: 1,325,000) of its own shares in treasury.

During the year ended 30 June 2013 18,299,948 shares were issued at a cash consideration of 27p per share, generating a premium of 17p per share.

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.

21. Share capital continued

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 2012/13 grant	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	3 years	5 years
Volatility of share price	67%	67%	76%	69%	30%
Dividend yield	0%	0%	0%	0%	0%
Risk free interest rate	2.05%	2.05%	2.05%	2.11%	5.38%
Share price at date of grant	32.5p	17.5p	18.25p	16.5p	35.0p
Exercise price	32.5p	17.5p	18.25p	16.5p	35.0p
Fair value per option	£0.14	£0.05	£0.09	£0.05	£0.07

The charge calculated for the year ended 30 June 2013 is £62,000 with a corresponding deferred tax asset at that date of £15,000.

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 2013 is shown below:

	Number 000s	Exercise price pence
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	
Granted during the year	550	32.5p
Lapsed during the year	(100)	
Outstanding at 30 June 2013	**5,170**	
Exercisable at 30 June 2013	**1,315**	
Exercisable at 30 June 2012	710	

There were 550,000 options granted during the year.

At 30 June 2013 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	605,000	17 December 2012 to 16 December 2019
Company unapproved	18.25p	3,000,000	22 November 2013 to 21 November 2020
Company unapproved	17.5p	305,000	25 June 2015 to 24 June 2022
Company unapproved	32.5p	550,000	18 June 2016 to 17 June 2023

Notes to the Group Financial Statements continued

for the year ended 30 June 2013

22. Movement on reserves

	Share premium £000	Treasury shares £000	Special reserve £000	Profit and loss account £000
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)
Profit for the year	—	—	—	3,653
Ordinary shares issued during the year	2,901	—	—	—
Dividends paid to ordinary shareholders	—	—	—	(122)
Share-based compensation	—	—	—	62
At 30 June 2013	**33,695**	**(366)**	**6,059**	**(1,789)**

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.

23. Trade and other payables

	2013 £000	2012 £000
Trade payables	**2,131**	1,536
Other creditors	**745**	120
Social security, other taxes and VAT	**47**	174
Corporation tax	**625**	—
Accruals and deferred income	**636**	692
	4,184	2,522

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

24. Other financial liabilities

	2013 £000	2012 £000
Purchase consideration on inventories falling due within one year	**7,947**	6,768
Zero dividend preference shares	**9,721**	—
	17,668	6,768

During the year the Group's subsidiary, Inland ZDP PLC issued 9,349,900 zero dividend preference (ZDP) shares of 10p each for a total cash consideration of £9.38 million. The ZDP shares have a redemption yield of 7.3% per annum and will be repaid on or before 10 April 2019.

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 liability as at 30 June 2013:

- 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.

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

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:

	2013 £000	2012 £000
Due in less than one year	**72**	68
Due later than one year and not later than five years	**10**	61
	82	129

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 to 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.

Notes to the Group Financial Statements continued

for the year ended 30 June 2013

27. Capital management policies and procedures continued

	2013 £000	2012 £000
Equity	**57,730**	49,406
Less: cash and cash equivalents	**(12,154)**	(575)
Capital	**45,576**	48,831

	2013 £000	2012 £000
Equity	**57,730**	49,406
Borrowings	**16,044**	6,986
Overall financing	**73,774**	56,392
Capital to overall financing	**61.8%**	86.6%

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.

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	2013 £000	2012 £000
Financial assets			
Listed investments held for trading	19	**1**	1
Loans and receivables			
Loan to Howarth (former associate)	18	**1,000**	1,000
Trade and other receivables	17	**14,270**	1,796
Cash and cash equivalents	20	**12,154**	575
		27,424	3,371
Financial liabilities			
Financial liabilities measured at amortised cost:			
— current borrowings		**6,323**	6,986
— trade and other payables	23	**2,923**	1,830
— zero dividend preference shares		**9,721**	—
— other financial liabilities	24	**7,947**	6,768
		26,914	15,584

The fair values are presented in the related notes.

Current borrowings consist of housebuilding loan facilities of £16.3 million, of which £5.5 million (2012: £1.1 million) is drawn down, and further loans of £0.8 million secured against land (2012: £5.9 million). The loans attract interest at varying rates.

28. Financial assets and liabilities continued

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.

	2013			2012	
	Trade and other payables £000	**Zero Dividend Preference shares £000**	**Purchase consideration £000**	Trade and other payables £000	Purchase consideration £000
Less than one year	**9,199**	**—**	**8,004**	8,643	7,000
Over five years	**—**	**9,721**	**—**	—	—
	9,199	**9,721**	**8,004**	8,643	7,000

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).

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 2012	28(a) & (b)	1	—	1,114	1,115
Movements during the year		—	—	249	249
Net fair value at 30 June 2013		**1**	**—**	**1,363**	**1,364**

(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.

Notes to the Group Financial Statements continued

for the year ended 30 June 2013

29. Related party transactions

The Group had an investment in Howarth which it sold in April 2013. As at 30 June 2013 there was a sum due from Howarth amounting to £1,000,000 (2012: £1,000,000). The balance outstanding attracts interest of 8% per annum above the National Westminster Bank PLC base rate. The interest received from Howarth for the year ended 30 June 2013 amounted to £78,000 (2012: £84,000).

During the year ended 30 June 2013, 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 £2,372,000 (2012: £635,000).

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 2013 the Group had invested £nil (2012: £2,302,000). The Group's 50% share of the profits after tax for the period to 30 June 2013 amounts to £676,000 (2012: £162,000) that has been recognised in the Group Income Statement.

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

	2013 £000	2012 £000
Net assets	**373**	132
Net result	**676**	162

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

We have audited the Parent Company financial statements of Inland Homes plc for the year ended 30 June 2013 which comprise the 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 38, 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 2013;
- 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 2013.

Robert Napper
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Reading
31 October 2013

Company Balance Sheet

at 30 June 2013

	Note	2013 £000	2012 £000
Fixed assets			
Investments	4	**12,472**	15,224
		12,472	15,224
Current assets			
Debtors	5	**36,385**	39,684
Listed investments		**1**	1
Deferred tax		**246**	223
Cash at bank and in hand		**12,169**	25
		48,801	39,933
Creditors: amounts falling due within one year	6	**(210)**	(157)
Net current assets		**48,591**	39,776
Total assets less liabilities		**61,063**	55,000
Capital and reserves			
Called up share capital	7	**20,131**	18,301
Share premium	8	**33,695**	30,794
Treasury shares	8	**(366)**	(366)
Special reserve	8	**6,059**	6,059
Profit and loss account	8	**1,544**	212
Shareholders' funds		**61,063**	55,000

The financial statements on pages 76 to 80 were approved and authorised for issue by the Board of Directors on 31 October 2013 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 2013

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 profit and loss account 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 £1.4 million (2012: £46,000) has been transferred to reserves.

Auditor's remuneration

The audit fees for the Company were £5,000 (2012: £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. Directors' remuneration

See Note 8 to the Group financial statements.

Notes to the Company Financial Statements continued

for the year ended 30 June 2013

4. Investments

	Investment in joint venture £000	Investment in Group undertakings £000	Investment in Howarth (former associate) £000	Total £000
Cost				
At 1 July 2012	2,302	12,422	1,359	16,083
Additions	—	50	—	50
Net proceeds on disposal of investment in Howarth (former associate)	—	—	(1,359)	(1,359)
Distribution from joint venture	(2,302)	—	—	(2,302)
At 30 June 2013	—	12,472	—	12,472
Amortisation				
At 1 July 2012	—	—	859	859
Reversal of impairment in Howarth (former associate)	—	—	(859)	(859)
At 30 June 2013	**—**	**—**	**—**	**—**
Net book amount to 30 June 2013	**—**	**12,472**	**—**	**12,472**
Net book amount to 30 June 2012	2,302	12,422	500	15,224

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

5. Debtors

	2013 £000	2012 £000
Amounts owed by Group undertakings	**34,923**	38,673
Loan to Howarth (former associate)	**1,000**	1,000
Other debtors	**462**	11
	36,385	39,684

6. Creditors: amounts falling due within one year

	2013 £000	2012 £000
Trade creditors	**65**	13
Accruals and other creditors	**145**	144
	210	157

7. Share capital

	2013 £000	2012 £000
Authorised		
239,990,000 (2012: 239,990,000) ordinary shares of 10p each	**23,999**	23,999
1,000 (2012: 1,000) redeemable shares of £1 each	**1**	1
	24,000	24,000

	2013 £000	2012 £000
Allotted, issued and fully paid		
201,299,432 (2012: 182,999,484) ordinary shares of 10p each	**20,130**	18,300
980 (2012: 980) redeemable shares of £1 each	**1**	1
180 (2012: 180) deferred shares of 10p each	**—**	—
	20,131	18,301

7. Share capital continued

During the year ended 30 June 2013 18,299,948 shares were issued at a cash consideration of 27p per share, generating a premium of 17p per share.

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.

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

8. Reserves

	Share premium £000	Treasury shares £000	Special reserve £000	Profit and loss account £000
At 30 June 2012	30,794	(366)	6,059	212
Retained profit for the year	—	—	—	1,392
Dividends paid to ordinary shareholders	—	—	—	(122)
Issue of shares	2,901	—	—	—
Employee share-based compensation	—	—	—	62
At 30 June 2013	**33,695**	**(366)**	**6,059**	**1,544**

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.

9. Capital commitments

The Company had no outstanding capital commitments at 30 June 2013 or 30 June 2012.

Notes to the Company Financial Statements continued

for the year ended 30 June 2013

10. Contingent liabilities

The Company has the following contingent liabilities as at 30 June 2013:

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 developments. In the Directors' opinion there is unlikely to be any such shortfall.

b. Inland Homes plc has guaranteed the obligations of Inland Limited in respect of a housebuilding facility relating to the subsidiary undertaking's development at Chelmsford.

c. 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 developments. 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.

11. Reconciliation of movements in shareholders' funds

	2013 £000	2012 £000
Profit for the year	1,392	46
Issue of shares	4,731	—
Payment of dividend to ordinary shareholders	(122)	—
Share-based compensation	62	166
Net increase in shareholders' funds	6,063	212
Opening shareholders' funds	55,000	54,788
Closing shareholders' funds	61,063	55,000

12. 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 FRS8.3 Related Party Disclosures.

Company Information and Advisers

Company registration number

5482990

Company Secretary

Nishith Malde FCA

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