Inland homes

Annual Report and Accounts
for the year ended 30 June 2014

Stock code: INL

CREATIVE THINKING IN BROWNFIELD DEVELOPMENT

WELCOME TO INLAND HOMES PLC

As a leading brownfield regeneration specialist, we focus on 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.

Wilton Park, Beaconsfield

Business Model
pages 08 to 11

Strategy Section
page 13

Marketplace Section
pages 18 and 19

WHY INVEST IN INLAND HOMES PLC

- Strong management team
- Adding value throughout the development process
- Diverse land portfolio in the South and South East of England
- Unrealised value within the land bank as a result of planning permissions

WHAT'S INSIDE

Stock code: INL

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 maximises the potential of the final development.

Our versatile structure, relatively small team, local insight and opportunistic approach gives us a competitive advantage, ensuring we can react fast to secure the sites we want at a price that maximises returns. Once secured, our knowledge of and relationships with local authorities, and the wealth of experience in our land team, means that we are able to secure the right planning consent for the sites we own and manage.

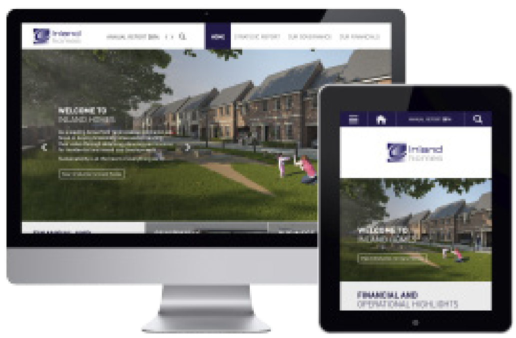
Our ambitious developments, combining style, comfort and sustainability for a wide social demographic, deliver appropriate rewards for our business, our stakeholders, our shareholders and the local community.

Increasingly, we are utilising our own land bank to grow our housebuilding operations and this growth will continue to optimise our revenue profile.

INVESTOR WEBSITE

We maintain a corporate website at **www.inlandhomes.co.uk** containing a wide range of information of interest to institutional and private investors including:

- Latest news and press releases
- Annual reports and investor presentations



View our Annual Report online
www.inlandhomesplc.annualreport2014.co.uk

GETTING AROUND THE REPORT

Introduction to signposting devices:

Annual Report navigation device

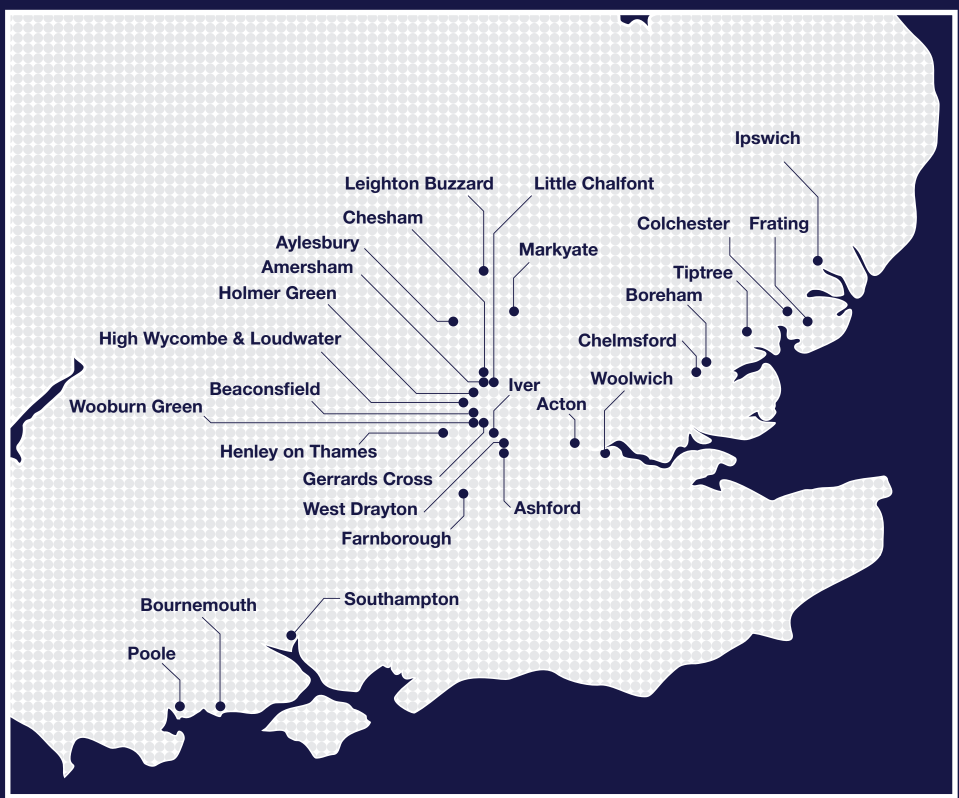
Online navigation device

LAND PORTFOLIO

The land portfolio consists of 3,734 plots across the south of England, owned, controlled or managed by Inland Homes.

- Sites Under Construction
- Other Inland Sites

Acton
Amersham
Ashford
Aylesbury
Beaconsfield
Boreham
Bournemouth
Chelmsford (two sites)
Chesham
Colchester
Frating
Farnborough
Gerrards Cross
Henley on Thames
High Wycombe
Holmer Green
Ipswich
Iver
Leighton Buzzard
Little Chalfont
Loudwater
Markyate
Poole
Southampton
Tiptree
Woolwich
Wooburn Green
West Drayton



Read about our Strategy on **page 13**

Read about KPI's on **pages 38 and 39**

Proposed development in Iver, South Buckinghamshire

RESIDENTIAL PLOTS
SOLD 2014
169 plots

MAJOR
SITES
12 accounting for 2,601 plots

LAND
BANK
3,734 plots

PLOTS WITH PLANNING
PERMISSION
1,318 plots

PLOTS WITHOUT
PLANNING
2,416 plots

ANNUAL RENTAL
INCOME
£605,000

BUILDING SUSTAINABLE HOMES WHILST DELIVERING ON OUR COMMITMENT TO 'QUALITY AND COMFORT':

At Inland Homes we are proud of our commitment to create developments that not only serve the needs of the residents into the future, but that sustainably enrich the wider community. Without compromising on our excellence in design or the quality of our builds, we ensure that each of our projects contributes to the sustainable development of six core areas: community, customers, health and safety, supply chain, sustainable homes and people. We want our projects to stand testament to our values and leave a positive legacy to the area.

Read about Corporate Social Responsibility on **pages 42 to 45**

FINANCIAL AND OPERATIONAL HIGHLIGHTS

£8.6m

Profit before tax

1,318

Consented plots in land bank

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

GROUP HIGHLIGHTS

- Record performance, ahead of market expectations;
- Strategic expansion of housebuilding activity proceeding according to plan and delivering results; 114 (2013: 55) completions in the year (including units managed on behalf of Drayton Garden Village Limited (DGVL));
- Continued growth in land bank, which currently stands at a record 3,734 plots (3 October 2013: 2,306) with 1,318 plots consented (3 October 2013: 1,057);
- Dividend increased 122% to 0.60p (2013: 0.27p), reflecting the Group's strong financial position and confidence in the short and medium term outlook.

POST YEAR END HIGHLIGHTS

- Heads of terms signed with a private rented sector institution for the sale of over 200 apartments at Drayton Garden Village (DGV);
- Planning consent received for 114 residential plots plus over 150,000 sq ft of commercial and leisure space at the Winter Gardens site in Bournemouth;
- Planning permission secured for 15 residential plots on the site of a former office block in Gerrards Cross, Buckinghamshire;
- Planning consent received for 152 residential plots at Woolwich, in London;
- Entered into joint venture with a third party on a site in Aylesbury, Buckinghamshire with the potential for in excess of 350 plots;
- The Judicial Review on the MoD's decision to sell the Wilton Park, Beaconsfield site has been withdrawn and the Group's agreement with its financial partners can be concluded.

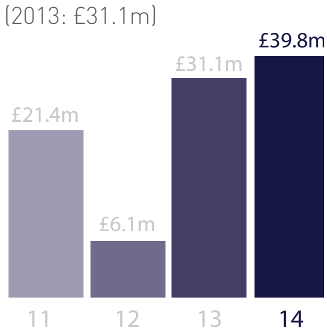
OUTLOOK

- Market conditions remain buoyant: demand for private housing in south and south-east of England increasing; continuing strong demand for consented land from housebuilders;
- Very strong forward sales position of £54.6 million with 436 units under construction; targeting approximately 270 unit completions in the current financial year;
- Actively targeting opportunities within the private rented sector;
- Heads of terms agreed with Group's financial partners for development of Wilton Park, Beaconsfield; Inland to receive up to 80% of the net profit of the project;
- Core strategic goal of growing land bank remains; continue to see a healthy pipeline of opportunities and confident of achieving further land bank growth throughout the course of the current financial year and beyond.

2013/14
FINANCIAL HIGHLIGHTS

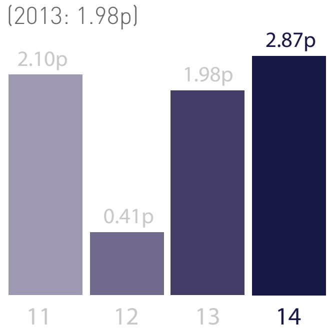
REVENUE
Up 28.0%
at £39.8m

(2013: £31.1m)



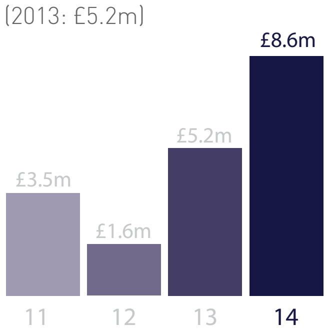
BASIC EARNINGS PER SHARE
Up 45.0%
at 2.87p

(2013: 1.98p)



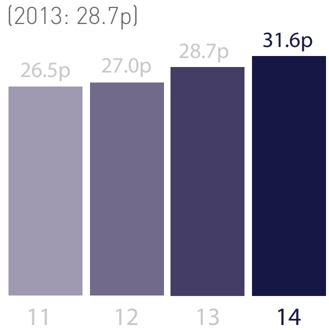
PROFIT BEFORE TAX
Up 65.7%
at £8.6m

(2013: £5.2m)



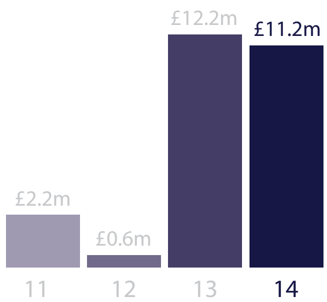
NET ASSET VALUE PER SHARE[1]
Up 10.1%
at 31.6p

(2013: 28.7p)



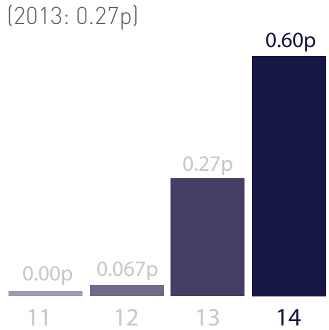
YEAR END CASH BALANCES
£11.2m

(2013: £12.2m)



DIVIDEND PER SHARE
Up 122.2%
at 0.60p

(2013: 0.27p)



Chairman's Statement
pages 06 and 07

CEO Review
pages 20 to 23

Finance Directors Review
pages 24 to 25

1. Excludes the Group's interest in DGVL from which Inland expects to derive a further 2.8p per share net of tax. Also excludes any unrealised gains within our land bank.

CHAIRMAN'S STATEMENT

"I am very pleased to be reporting on another excellent year for Inland Homes plc during which the Group has increased pre-tax profits by more than 65%."

Terry Roydon
Chairman

The performance of the business has been outstanding with all our strategic objectives having been achieved. These include increasing our housebuilding completions, substantially growing our land bank and achieving industry-leading margins.

Private unit completions (including those managed on behalf of DGVL) more than doubled to 114 (2013: 55) with 436 units under construction across nine development sites. The unmet demand for homes in the UK continues to grow, a situation that is exacerbated by the continuing shortage of supply. The demand in the south and south east of England, where the Group operates, is particularly strong and is demonstrated by the forward sales position, for both Inland and DGVL, of £54.6m in respect of units which have been reserved or where contracts have been exchanged. This places us in a strong position and we would expect that our net borrowings, which at the year end amounted to £28.8m (2013: £3.90m), to reduce significantly over the next six months as a result of these forward sales, along with a number of planned land disposals.

The number of building plots sold in the year, including plots sold by DGVL, was 169 (2013: 451) reflecting our strategy to grow our housebuilding activities. Despite the land disposals and unit completions, I am pleased to report that the land bank has also increased by 61.9% since 3 October 2013 to 3,734 plots (including those managed on behalf of DGVL) of which 1,318 plots have planning permission. This pipeline of residential plots is anticipated to result in future gross development value of £1.1bn. In addition to these plots the land bank contains commercial space which currently generates annual rental income of £605,000.

The Group's operating expenses increased as we continued to invest in personnel, in line with our growing turnover and profitability.

Given the Group's strong earnings, growth and forward sales position, the Board is proposing to increase the dividend by 122.2% to 0.60p (2013: 0.27p) per share subject to shareholder approval at the AGM which is to be held on 1 December 2014. The final dividend will be paid to shareholders on 9 January 2015.

I would like to take this opportunity to thank our small, entrepreneurial and highly motivated team for all their hard work which has been reflected by these highly commendable and record results. They also continue to create inspiring development opportunities that I have no doubt will stand the Group in good stead over future years.

Terry Roydon
Chairman
15 October 2014

122%

Given the Group's strong earnings, growth and forward sales position, the Board is proposing to increase the dividend by 122% to 0.6p

61.9%

I am pleased to report that the land bank has increased by 61.9% since 3 October 2013 to 3,734 plots

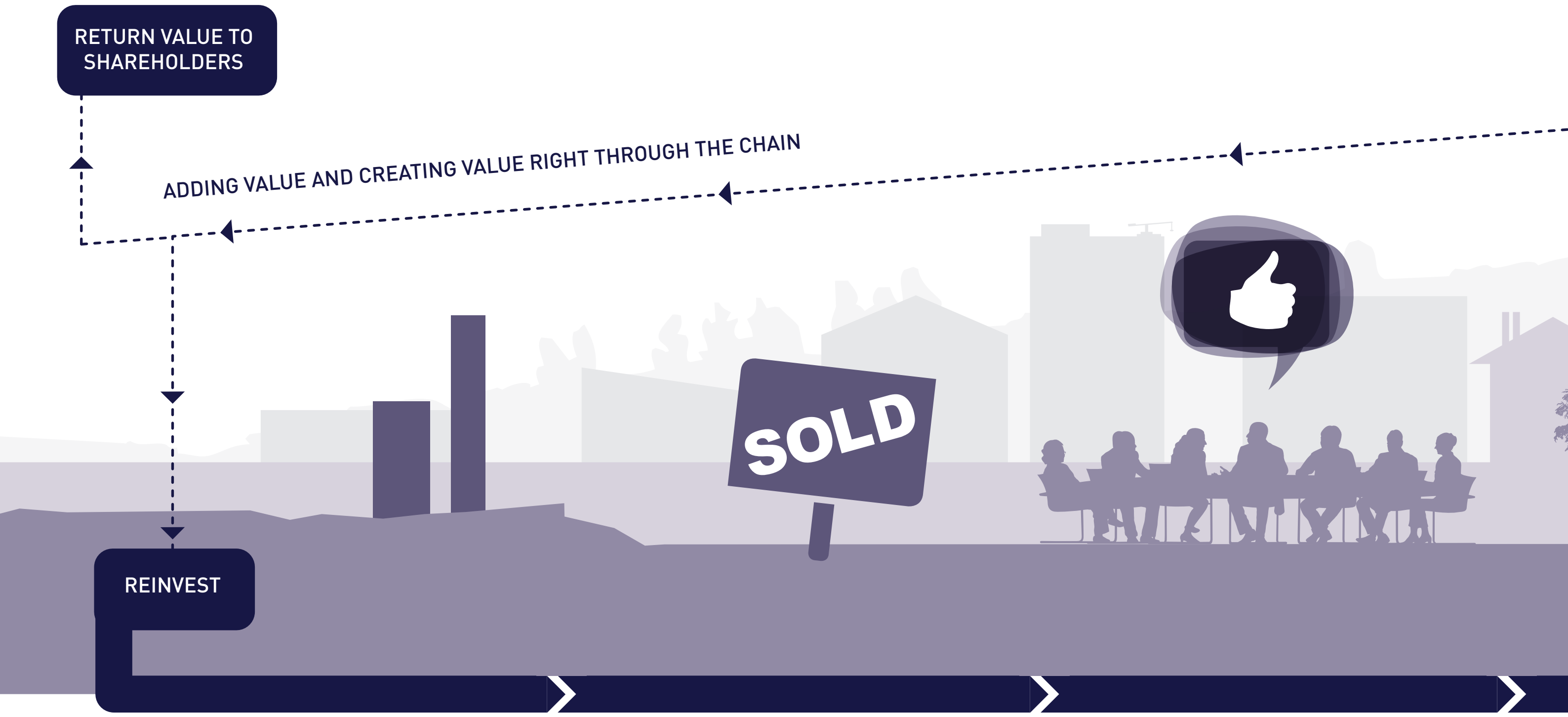
114

Private unit completions more than doubled in the year

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 should deliver greater profitability and more regular returns in the medium and long term than selling land with planning consent.



IDENTIFY LAND

Our local insight and established relationships mean that Inland Homes is always aware of opportunities to increase its land bank.

ACQUIRE LAND

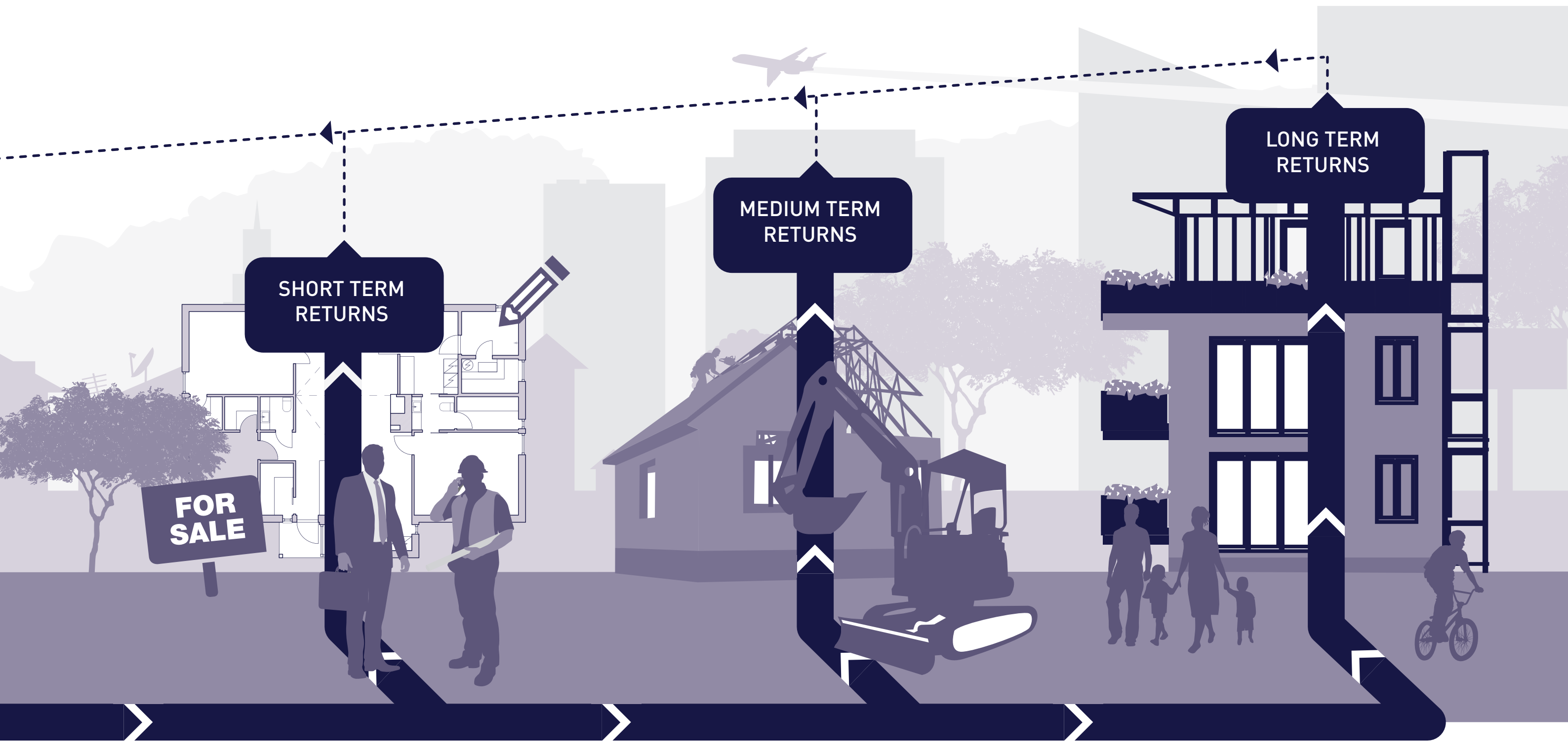
Our flexible structure and motivated, close-knit team combine to make us a swift and astute land buyer.

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.

> During the research and planning phase for each development we undertake consultations with the community, discussing the site and its surrounding environment with local groups and town councils.

Mark Gilpin
Planning Director



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 housebuilding on other parts, Inland Homes is delivering revenue in the medium term.

RETAIN ALL OR PART OF THE SITE; BUILD USING MAIN CONTRACTORS AND JOINT VENTURES

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

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 around the M25 and the south and south east of England remain our priority. 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 minimise risk and reinforce the land's potential, ensuring that we fully understand the opportunity and that only sites with the right risk/reward balance are selected for acquisition. Payment terms for the land we buy can be deferred for up to three or 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 enable us to make swift and astute decisions concerning the land that we buy. As well as the more usual sites we acquire for development, we also target strategic parcels of land where we consider that the site will be key to securing further land or development opportunities in the future.

Government organisations and vendors generally sell to developers that can make a success of the land acquired, deliver much needed housing 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 has begun).

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 balance sheet. 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 newly acquired site.

> We take a collaborative approach to the whole process of developing a site, from planning to completion, by maintaining a dialogue with our partners and contractors.

Pedro Longras
Development Director

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. Whilst we remain keen to further our housebuilding operations, where appropriate this strategy will continue.

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 parts of 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 additional revenue in the medium term.

Our customers for land are major housebuilders, medium tier and smaller local developers and our homes are acquired by private purchasers as owner occupiers or as 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 then 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 upfront we are minimising risk during the construction stage, with payments only being made on valuation certificates provided by surveyors who have assessed the on-site progress made by the contractors on our behalf.

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.

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Inland Homes plc

Annual Report and Accounts 2014

500 homes per annum

The Group's short term housebuilding target

www.inlandhomes.co.uk

OUR STRATEGY

Inland Homes has a clear strategy focused on maximising the value of its 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 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 manageable level through a strong focus on cash management and vendor financing

With strong demand for land in the south and south east of England, 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 (436 units now under construction). We 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 grow the business by capitalising on buoyant market conditions and achieving better margins through housebuilding, whilst maintaining a sound working capital position.

With short, medium and long term value releasing options available, we will support our strategy of expanding the land bank year on year. We will continue to meet the needs of our customers and build on our strong relationships with institutional purchasers. 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 our KPI's on **pages 38 and 39**

Read about our Risk Management on **pages 40 and 41**

Left: Latest phase on our Queensgate development in Farnborough, Hampshire

Q&A ON STRATEGY WITH STEPHEN WICKS

Stephen Wicks
Chief Executive

5,000

The Group's target is to have a land bank of approximately 5,000 plots within the next 12 months

Could you explain the strategic logic behind the recent expansion of your housebuilding activity and can we expect more of it in the future?

Inland Homes is all about extracting maximum value from its well-located land bank. Our strategy of acquiring brownfield sites at the pre-planning stage and its long track record of planning success, positions the Group as a housebuilder with exceptional skills in large scale brownfield development. Now that market conditions in the sector have returned to normal it makes sense for us to secure the additional development margin that can be achieved through the housebuilding process. The Group is intending to increase its housebuilding activities with the short term objective of building approximately 500 units per annum.

Inland Homes' land bank currently stands at 3,734 plots. What's your target, in both the short and medium term? Is the end game for Inland to grow the landbank to a size that makes the Company a takeover target for a bigger, national housebuilder?

The Group's target is to have a land bank of approximately 5,000 plots within the next 12 months. The Group is now firing on all cylinders. We have some fantastic development opportunities in the land bank and other housebuilders would naturally be interested in our activities. We are not expecting to be taken over in the foreseeable future.

How much more value are you likely to extract from Drayton Garden Village? And when do you expect to fully complete and exit the project?

With our current housebuilding phase we expect to extract 2.8p per share (net of tax), however with the prospect of a large forward sale of over 200 apartments for private rented, we could extract up to 5.0p per share (net of tax) from this development.

Which of your projects do you expect to be the primary cash generators in the current financial year?

There are a number of projects that will generate cash in the current financial year. The notable ones are expected to be Woolwich, Drayton Garden Village and our West Plaza development in Ashford, Middlesex.

What role do you feel the private rented sector has to play in solving the nation's housing shortage? Is this an area that Inland Homes is exploring?

With affordability becoming a big issue in the south east the private rented sector should play a big part in creating new opportunities for people to rent good quality housing with perhaps more certainty of tenure.

What does next year's general election, and a potential change of Government, mean for the housebuilding industry?

All the political parties have now woken up to the importance of supporting increased housebuilding. My personal 'worst nightmare' would be a Lib-Dem/Labour coalition led by Vince Cable!

Q&A ON FINANCE
WITH NISH MALDE

You have increased the dividend significantly. How did you determine the level?

The Board wanted to ensure that the dividend was progressive, in line with its intention announced at the time of our 2012 results. The amount was neither driven by dividend cover or yield, but determined in consideration of the Group's cash requirements for the foreseeable future. The yield based on the current share price is approximately 1.3% and although this is above the average yield from all AIM companies, the Board believes that the majority of investors are seeking growth and not a dividend yield.

Has securing finance become any easier in recent times?

Procuring development finance for housebuilding has become relatively easier for Inland Homes than a few years ago. However, obtaining funding for land with or without planning consent is extremely difficult. Although one or two entrants have emerged for land finance, the Group endeavours to structure its land acquisitions by the use of vendor financing or from its own cash resource.

> "We expect profits to continue to increase with underlying net asset value continuing to grow at a very respectable rate."
>
> **Nishith Malde**
> Group Finance Director

Given the increase in the Group's housebuilding activity, should we expect net debt to continue to rise? What kind of level would you be comfortable with?

Debt levels have increased in line with the expansion of our housebuilding activity as expected by the Board. The Group expects borrowings to reduce by the half year due to a significant number of legal completions of residential units and some land sales. The Group's borrowings are controlled by a gearing covenant imposed by the Zero Dividend Preference shareholders. The Board would be comfortable with an average gearing of 30%, although there may be times when a planned increase will take place where a reduction could be forecast within a short period of time.

What are your expectations for NAV and profit growth for the current financial year?

We expect profits to continue to increase with both stated and underlying net asset value continuing to grow at a very respectable rate. The consensus forecast in the market, for profit before tax for the year ending 30 June 2015, is £12m.

It's very difficult to ascertain a 'true' NAV value for Inland, given assets are held on the balance sheet at the lower of cost and net realisable value. Could you not revalue your portfolio annually or provide some guidance to investors?

Accounting Standards preclude the Group from revaluing its stock and work in progress in the accounts. As an indication to investors of the potential unrealised value within the land owned by the Group, the average cost per plot of £38,000 should be compared to the open market value of consented plots. As a general rule of thumb, the value of a consented plot equates to 30% of the value of the home. Based on the average UK house price of £274,000 this could result in a consented plot value of approximately £82,000.

Q&A ON LAND STRATEGY WITH PAUL BRETT

Paul Brett
Land Director

How do Inland discover new plots of land?

The land team at Inland are constantly researching and approaching landowners to source new development opportunities. The most common way we come across potential sites for acquisition is through our extensive and strong network of connections and contacts with vendors, landowners and agents. Over the last 20 years we have worked hard at establishing and maintaining relationships. My land team and I, often accompanied by Stephen Wicks, our CEO, frequently identify and personally meet with agents to build new relationships. Inland also advertise nationally in the trade press. It has always been a strict policy of Inland to conduct ourselves with the utmost integrity and so to behave reliably, transparently and professionally. Our due diligence before signing any contract means that we are always upfront with our business partners, and deliver the agreed services as promised. This is proven in our strong track record, which has led to positive long term relationships, where organisations return to us time and again. Many new opportunities for buying land are generated in this way.

Who are some of these key relationships with?

Much of the brownfield land we acquire has previously been used by the public sector, from hospitals to military bases. The Government has responded to the nationwide housing shortage by providing the impetus to the public sector to release more land for housebuilding. One of the key sources of land for us has been the Ministry of Defence, from whom we have acquired four sites. This is an example of an ongoing relationship where demonstrating our ability to deliver has led to further opportunities.

We also attract and retain relationships with individual agents with our flexible business model, which means we can involve them throughout the process of developing a site.

When an agent introduces us to a land opportunity, we can offer them multiple fees beyond the introductory fee. If we go on to sell the land we can utilise their services again, or similarly if we build homes on the site they can act as agents for selling the properties.

17

We have added 17 sites to our land bank over the last year. Significantly, we have also begun to expand our land portfolio to include strategic sites.

What is the strategy for deciding which sites to purchase?

We undertake extensive research on all prospective acquisitions, involving input from various colleagues across Inland's departments. It is essential that we quickly identify the sites with potential, so that we utilise our expertise efficiently, commencing detailed due diligence on only the most promising and suitable opportunities.

We assess on average 15–20 sites a week to see whether they meet our criteria on a planning, technical and financial basis. Of these, those that are suitable are discussed with our architectural, planning and technical teams, who undertake further due diligence. Only around 10% of opportunities are taken beyond this stage. The land and planning teams then debate the various opportunities that a given site presents and how it fits into our strategy for growing our land bank. This might include considering whether it can generate sufficient dwelling numbers and whether the site location can be exploited strategically, by opening up further opportunities with adjoining land or unlocking further sites in the area. By the time we have decided to pursue a site, we have completed a comprehensive analysis that provides both us and our partners with clarity on our position.

Read about our KPIs on **pages 38 and 39**

Read about our Risk Management on **pages 40 and 41**

Apartments at our development at Carter's Quay in Poole, Dorset

OUR MARKETPLACE

Throughout 2014, the UK housing market has shown continuing signs of improvement. The number of transactions has increased and the pent up demand has subsequently seen prices rise.

In the south-east of England where Inland Homes predominantly operates, the Office for National Statistics (ONS) found that property prices have soared by 11.6% in the year to August 2014. 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 Help to Buy, Build to Rent and the Builders Finance Fund have seen new housing supply rising, with new housing starts at 137,780 in the 12 months to June 2014, up by 22% compared to the year before.

However, there are currently insufficient new houses being built to keep up with the growing demand, which is estimated at over 250,000 units p.a., and demand is approximately double what is being built. With an ageing population meaning fewer occupants per property, the long term shortage 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 will run until 2020. Over half of the 114 private completions this year used this scheme.

"With growth in employment expected in the south east over the next decade, housing demand and prices are set to continue rising."

Vicki Noon
Sales & Marketing Director

There is also the Build to Rent Fund, which was launched to stimulate new private rented housing supply. It is anticipated that the fund will be used to finance the building of over 200 apartments at DGV being sold to a PRS investment fund.

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, and this has been useful on one of the Group's projects.

Inland Homes sells the majority of its houses to UK purchasers. However, recently it sold 14 apartments from the West Plaza, Ashford, Middlesex development to customers in Hong Kong. There is evidence that overseas demand for UK property is strong, with 15% of all new buildings in London now purchased by foreign buyers.

Read about our Strategy on **pages 13**

Read about our Business Model on **pages 08 to 11**

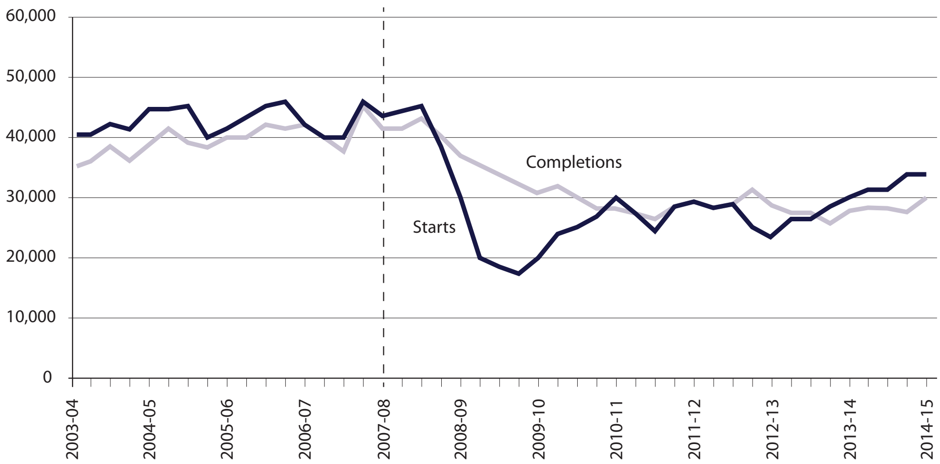
11.6%

The Office for National Statistics (ONS) found that property prices in the south-east have soared by 11.6% in the year to August 2014

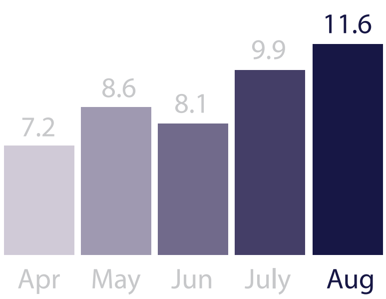
"Having been allocated funding from the HCA run Build to Rent scheme for over 200 homes in Drayton Garden Village, we plan to take advantage of any similar opportunities on future developments."

Melanie Hyland
Financial Operations Director

SEASONALLY ADJUSTED TRENDS IN QUARTERLY HOUSING STARTS AND COMPLETIONS, ENGLAND



SOUTH EAST HOUSE PRICE INCREASES 2014 (%)



Date	Yearly change	Sales volume
August 2014	11.6	
July 2014	9.9	
June 2014	8.1	13,123
May 2014	8.6	13,295
April 2014	7.2	12,484

Source: Offices of National Statistics

CHIEF EXECUTIVE'S REVIEW

This was another outstanding year of progress for Inland Homes.

We are benefiting from better market conditions with improved mortgage availability, together with a boost for homebuyers from the Government's Help to Buy initiative. Of the 114 private legal completions, 62 purchasers used the funding provided by the scheme. The core activity of our business remains the acquisition of predominantly brownfield land acquired without planning permission. We have also made a decision to supplement our brownfield activities with a number of longer term strategic sites where land is secured under a long term option at a discount to market value. The land portfolio includes six such sites with the potential for 620 plots.

Since last year's report a number of substantial milestones were achieved in our site acquisition programme, namely:

"Our performance this year demonstrates that we have the right strategy going forward. The Group is in an excellent shape with tremendous momentum behind it as we move into the new financial year"

Stephen Wicks
Chief Executive

RAF Stanbridge, Leighton Buzzard, Bedfordshire
- Former MoD site with consent now achieved for 175 plots plus commercial space

Reading Road, Henley, Oxfordshire
- Former commercial site with scope for 55 plots

Lily's Walk, High Wycombe, Buckinghamshire
- Former gasworks with scope for 200 plots plus commercial space

Queens Road, High Wycombe, Buckinghamshire
- Consent secured for 14 units

The Vale, Acton, West London
- Builders' merchants with scope for 100 plots plus commercial space

Rainsford Road, Chelmsford, Essex
- Former public house where we have secured consent for 14 units

Tiptree, Essex
- Former sports ground with scope for 40 plots

Meridian, Southampton, Hampshire
- Former TV studios on seven acres with scope for 350 plots

Aylesbury, Buckinghamshire
- Joint venture with another developer. A 50 acre site to be acquired jointly with scope for in excess of 300 plots plus commercial space

Loudwater, Buckinghamshire
- A five acre investment property site producing income and having development potential and of strategic importance for the development of a wider area

620

We now have six strategic sites with the potential for 620 plots

436

Homes under construction over nine development sites

152

Of particular note in the year was our development at West Plaza, Ashford in Middlesex of 152 apartments

WILTON PARK, BEACONSFIELD

- Financial partners of Inland have now completed the purchase of this 100 acre site from the Ministry of Defence, who were being challenged by a third party by way of a Judicial Review in respect of the sale. This Judicial Review has now been withdrawn. Shareholders may recall that Inland Homes own the preferred access to this site which has been allocated in the Local Plan for in excess of 300 new homes. An agreement will be concluded with our financial partners in the near future now that the Judicial Review has been withdrawn.

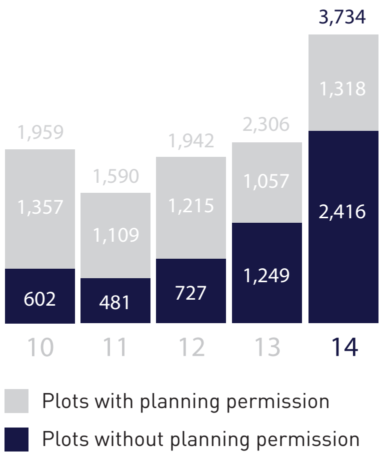
The number of residential plots in the land bank of the Group and those separately held by DGVL is currently as follows:

Owned or contracted with planning consent	1,070
Drayton Garden Village with planning consent	248
Owned or contracted without planning consent	605
Plots controlled or terms agreed	1,811
Total plots	**3,734**

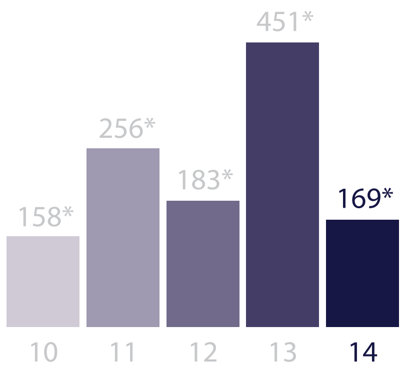
Whilst commercial investment and development is not a core activity, current annual rental income generated by the land bank now exceeds £600,000. This has been bolstered by the lease to Sainsbury's at DGV that was let on a 15 year term with a starting rent of £64,000 per annum.

Of particular note in the year was our development at West Plaza, Ashford in Middlesex of 152 apartments. This project is nearing completion with total anticipated revenue of approximately £33.0m. 90% of the development is either contracted for sale or legally completed.

NUMBER OF PLOTS WITH AND WITHOUT PLANNING CONSENT



RESIDENTIAL PLOTS SOLD (NUMBER)



* Includes plots sold within DGVL.

CHIEF EXECUTIVE'S REVIEW CONTINUED

Planning permission was received for our development of 152 apartments and commercial space at Callis Yard, Woolwich in London. This is a brownfield site which is opposite a new Crossrail station and close to the town centre. This planning consent has resulted in a very significant increase in the value of the site over its carrying value.

The strategy of acquiring sites in the outer boroughs of London is gathering momentum and we were particularly pleased with the unconditional purchase of a builder's yard in Acton, West London which should yield over 100 residential units along with some commercial space.

Significant planning approvals or resolutions to grant planning permission gained in the year are as follows:

Europa Way, Ipswich	94
Callis Yard, Woolwich	152
Vale Road, Bushey	41
Station Road, Gerrards Cross	30
Queensgate, Farnborough	26
Other smaller sites	35
Total plots	**378**

One of our intentions is to make forward sales of the units we construct to organisations that specialise in building up private rented portfolios. Heads of terms have recently been signed for a substantial development at Drayton Garden Village of over 200 homes with an institution seeking to build a private rented portfolio in the UK. Construction is intended to be financed via the Government's "Build to Rent" scheme.

We believe that with home ownership now being out of the reach of an increasingly large group of the younger population, private rented homes which are properly managed by long term landlords will become very popular with home occupiers as well as forming an exciting new asset class for institutional investors. Inland expects to have substantial involvement in this sector using sites from its well located land bank.

As mentioned in the Chairman's Statement, these are excellent results but the key factor is that we have created a sound platform for growth. In addition, our performance this year demonstrates that we have the right strategy going forward.

The Group is in an excellent shape with tremendous momentum behind it as we move into the new financial year.

The considerable progress which is being made at Inland is entirely due to our small, highly motivated team. I would like to thank them for their continued hard work, commitment and support in ensuring we deliver our strategy of growth and value for our shareholders.

Right: New Sainsbury's Local at Drayton Garden Village, West Drayton in Middlesex

Stephen Wicks
Chief Executive
15 October 2014

378

Planning approvals or resolutions to grant planning permission gained in the year

FINANCE DIRECTOR'S REVIEW

“The Group has produced a record set of results for the year ended 30 June 2014 with increasing revenues and profitability from housebuilding.”

Nishith Malde
Group Finance Director

The Group has produced a record set of results for the year ended 30 June 2014 with increasing revenues and profitability from housebuilding. Inland's strategic decision to increase the housebuilding activity was well timed to catch both the recovery in the housebuilding sector as well as the wider economy. Although debt funding for the acquisition of land with or without planning consent has been almost non-existent, there are signs of some entrants into this market. Finance for housebuilding has become far more readily available and this has assisted the expansion of our housebuilding activities.

The key highlights of our financial performance are:

- Revenue has increased by 28.0% to £39.8m (2013: £31.1m);
- Profit before tax has increased by 65.7% to £8.6m (2013: £5.2m);
- Basic earnings per share has increased by 45.0% to 2.87p (2013: 1.98p);
- Dividend per share increased by 122.0% to 0.60p (2013: 0.27p)
- Net assets per share increased by 10.1% to 31.6p (2013: 28.7p) which excludes the Group's share of future profit from DGVL, currently estimated at 2.8p per share net of tax, and any unrealised gains within our land bank;
- Year end cash balance of £11.2m (2013: £12.2m);
- Net gearing (including the accrued ZDP liability) has increased to 45.0% (2013: 6.7%) due to a planned increase in housebuilding.

28%

Group revenue was up by 28% to £39.8m (2013: £31.1m)

TRADING PERFORMANCE

Group revenue was up by 28.0% to £39.8m (2013: £31.1m). This included land sales of £6.7m (2013: £16.4m), open market unit completions of £18.8m (2013: £11.4m), affordable home sales of £2.5m (2013: £nil) and fee income from DGVL of £6.6m (2013: £3.0m). The gross margin increased to 39.4% (2013: 24.7%) and the open market unit completions generated a gross margin of 27.5% (2013: 21.1%). The average selling price of the private units (including those sold on behalf of DGVL) was £256,000 (2013: £208,000). The Group uses main contractors to construct all the units we build and after administrative overheads of £4.4m (2013: £2.7m) it has achieved an operating margin of 26.4% (2013: 16.3%). Administrative overheads have increased primarily due to an increase in staff costs.

FINANCE EXPENSE

As expected, the Group's net debt has increased to £28.8m in comparison to £3.9m in the previous year primarily due to the expansion in housebuilding, and this resulted in the net finance expense increasing to £2.5m (2013: £1.4m). The net finance expense is covered 3.5 times (2013: 3.7 times).

TAXATION

The total tax charge represents 32.8% of profit before tax. This is significantly higher than the UK corporation tax rate because the Group wrote off £469,000 of the deferred tax asset due to a reduction in the future rate of corporation tax. £225,000 was also written off as a result of a stock and work in progress credit that has been released to cost of sales as it was originally subject to a notional interest adjustment due to deferred land payment terms. The current year tax charge of 25.3% is also high because of an impairment of the fair value of the option over shares in DGVL and the interest accrued to ZDP shareholders being disallowed for tax purposes.

EARNINGS PER SHARE AND DIVIDENDS

45.0%

Basic earnings per share has increased by 45% to 2.87p (2013: 1.98p)

Earnings per share has increased by 45.0% over the previous year to 2.87p (2013: 1.98p). The increase is disproportionate to the increase in profit before tax due to the higher tax charge in the current year as explained above and a higher level of brought forward tax losses available for relief in the previous year.

The Board has proposed a final dividend of 0.60p per share for the year ended 30 June 2014, subject to approval by the shareholders. This is an increase of 122.2% in comparison to the previous year, in line with the progressive dividend strategy adopted by the Board and reflecting both the strong set of results as well as the confidence in the Group's financial position. The dividend will be paid on 9 January 2015 to shareholders on the register at the close of business on 12 December 2014. The ex-dividend date is 11 December 2014.

CASH FLOWS

During the year the Group increased operating cash flows before movements in working capital by 125% to £11.6m (2013: £5.1m). The increase in investment in land and the expansion of the housebuilding activity led to £24.5m of cash outflow from operating activities which has predominantly been financed by a planned increase in debt. During the year, lenders have continued to remain very cautious in providing funding for land irrespective of whether it has planning permission or not. The Group had to therefore rely on its own resources as well as vendor financing to fund these purchases. In addition to bank debt, the Group raised £1.1m by way of issuing 934,900 Zero Dividend Preference shares with a gross redemption yield of 5.57% p.a.

65.7%

Profit before tax has increased by 65.7% to £8.6m (2013: £5.2m)

Net cash inflow from financing activities was £22.6m (2013: £12.3m) and this included proceeds from the sale of 1,325,000 treasury shares of £580,000. It also included the repayment of a loan of £1.0m from our former associate company, Howarth Homes PLC, new loans of £26.3m and dividends paid of £0.5m.

FINANCIAL POSITION

The Group's inventories increased by 101.8% over the previous year to £90.3m (2013: £44.7m) due to the purchase of eight new sites during the year as well as the increase in investment due to the number of units under construction. The amount due from DGVL has decreased to £10.5m (2013: £13.7m) resulting in a lower amount of trade and other receivables. Current liabilities increased from £18.5m to £51.0m as land creditors, trade creditors and loan balances have increased. Net gearing at the year end (including the accrued ZDP liability) was 45.0% (2013: 6.7%) and net assets increased to £64.0m (2013: £57.7m) equating to 31.6p per share. It should be noted that this figure excludes the Group's share of future profit from DGVL, currently estimated at approximately 2.8p per share net of tax. It also excludes the unrealised added value accumulated within the land bank due to planning permissions achieved on some of the sites.

Nishith Malde
Group Finance Director
15 October 2014

DRAYTON GARDEN VILLAGE, MIDDLESEX

Read our case study on **pages 27 to 29**

CASE
STUDY 1

Drayton Garden Village is a significant development Inland Homes has been managing for several years on behalf of DGVL. It is a 31 acre site, with planning permission for 773 residential units and 53,000 sq ft of commercial space, as well as community areas including several village greens. The development has provided the opportunity for Inland Homes to demonstrate their large scale housing construction capabilities, as well as to utilise environmentally friendly techniques and features, for which it has been recognised.

CASE STUDY 1

LOCATION

Drayton Garden Village, Middlesex

Since the purchase of the land in 2009, Inland Homes have increased their profit share on the project from 35% to the maximum 90%. Inland obtained planning consent within 20 months of acquisition for 773 residential units plus employment and community space with just 8% of the homes being provided as affordable housing, a significant reduction from the 50% target set by the London Plan at the time and, as such, maximising the value of the land. They have co-ordinated and managed the different areas and aspects of the site, including the sale of serviced plots to other property developers, as well as building a number of the homes for DGVL. This strategy has proved successful, enabling a staggered release of cash throughout the development process, and will be repeated in future projects.

At Drayton Garden Village, the Group has accessed the growing private rented sector (PRS), through an agreed bulk sale of 205 units to an institution, a strategic move that will be repeated in future projects. The government is encouraging investment in PRS, to increase the supply of privately rented homes for the expanding rental market. Inland Homes is seeking to diversify the risk profile of its projects and bring in large numbers of early sales.

Inland Homes is managing the building of 387 homes within Drayton Garden Village. Of these, it is overseeing the whole process of building and selling 75 houses and apartments, and has been contracted to construct 107 units by Paradigm Housing Association, and heads of terms have been agreed for a further 205 units to be constructed for PRS. These bulk sales can help release cash during the project, and de-risks the market risk.

The 75 units being built on behalf of DGVL have generated significant interest from buyers. The first 32 units released sold above market expectations, and at the release of the next group of homes, there was a queue of prospective buyers waiting to access the show homes. This scene, unheard of since before the financial crisis, was a testament to the desirability of this attractive development.

The project has significantly exceeded Group expectations, aided by the productive relationships that DGVL and Inland Homes have established with their partners and contractors. A significant achievement at this site was securing a contract with E.ON for the design, construction and maintenance of the energy centre. A fifteen year lease has also been secured with Sainsbury's, benefiting the residents and providing a source of income. The external landscape has been completed following a productive collaboration with the landscape architects and contractors, and many of the homes have been built. A phased move in of residents to completed areas has seen 250-300 families settle into their homes, whilst the construction of the remaining homes, to bring the whole project to completion, is expected to conclude in 2017.

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

32
Homes sold during the year

205 homes
Heads of terms agreed on a bulk sale to a PRS institution

WEST PLAZA, ASHFORD, MIDDLESEX

Read our case study on **pages 31 to 33**

CASE
STUDY 2

West Plaza, in Ashford, Middlesex, is an attractive modern development of two apartment complexes set around courtyards. The site was acquired by Inland Homes for its strong location, within two miles of Heathrow Airport and with excellent transport links into London. Planning was granted for 152 apartments, and construction of the site has progressed well, with the build nearing completion six months ahead of schedule.

CASE STUDY 2

The project has been planned to progress in four phases, with occupants moving into completed sections whilst other areas of the site are still in progress. The second phase has recently been completed, with new occupants moving in to join those that have been there since June. The third and fourth build phases are expected to finish in October and December 2014. This strategy has several advantages, including the realisation of profitability and recouping funds, to improve working capital and the partial occupation aiding sales of the remaining homes.

LOCATION

West Plaza, Ashford, Middlesex

The sales strategy for the complex has been to sell apartments in advance of their completion, both to individuals on the open market, and in bulk to organisations. Due to the high level of interest and demand the development has attracted, Inland Homes has been successful in selling the apartments. Individual sales have been achieved through a combination of footfall - with people engaging with the attractive marketing suite and show flats - and online advertising by Inland Homes, agents, and third party websites. On a sales trip to Hong Kong 14 apartments were sold. Inland Homes also achieved a significant bulk transaction of 59 residential units to a housing association operating in the private rented sector.

The development of West Plaza has shown several initiatives taken by Inland Homes and their partners. The main contractor suggested pre-building some of the components off-site, before installing them. Having reviewed, assessed and accepted the suggestion, this modern technique meant that six months were shaved off the duration of the build, to the benefit of both Inland Homes and the contractor. Additionally, during the process of the build, Inland Homes monitored market changes and identified an increased appetite for high quality appliances, so modified the designs to include upgraded features. This enhanced specification supported the strong demand for the homes at West Plaza.

Another notable feature of the development is its 'Green' credentials. Photovoltaic cells have been installed onto roofs, and the electricity generated will supply the communal areas of the site, with excess energy generated sold back to the grid. This both supports the Government target of decentralising electricity generation, and provides an income for the development which will contribute towards future maintenance costs.

The success of the project so far has been down to the skills and experiences of both the team at Inland Homes and the external consultants. Selecting contractors with the necessary skills and experiences for this type of project and allocating sufficient internal resources to manage the project, has been key to its smooth running. As Inland Homes moves into more housebuilding projects, it will be critical to draw on the productive co-operation and relationships that led to the success of the project.

Finally, Inland Homes is delighted to announce that West Plaza has been nominated for the LABC 'Development of the Year' award.

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

33m
expected gross development value

90%
of apartments either exchanged or completed

CALLIS YARD, WOOLWICH, LONDON

Read our case study on **pages 35 to 37**

CASE STUDY 3

Inland Homes purchased the Callis Yard site in Woolwich from West Register, RBS's property arm, in 2013. The one acre site is located between Woolwich High Street and the Royal Arsenal regeneration project. It is a highly attractive location, with a new crossrail station due to be built approximately 300 yards away, and within walking distance of the DLR.

CASE STUDY 3

LOCATION

Callis Yard, Woolwich, London

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

Inland Homes is currently evaluating how best to move forward with this site. The Group could sell it, as its value has increased significantly since planning permission was received in July 2014. The development could also be a prime opportunity for a bulk sale to a private rented sector organisation, a growing market Inland Homes have previously sold residential units to. These two options represent the different time scales in which Inland Homes can monetise this asset.

The site has received planning consent for an apartment block with 152 residential units, 20% of which will be affordable housing. The research for this design involved consultations with the Greenwich authorities (including the Head of Regeneration), as well as the local community, with whom Inland Homes held a public exhibition. There were several factors to consider in the planning process, including the treatment of a listed building within the site, as well as the balance of this site with the widespread regeneration in the area. The experienced team at Inland Homes consulted with local groups and put forward a plan that was accepted by the local community.

In addition to the apartments, the development will feature a business centre and a gym for the residents. In line with the Mayor's focus on delivering children's play areas, the design team at Inland Homes has planned a ground level indoor children's play area with gym facilities. This will provide a dynamic visual front to the building, and utilise the small footprint of the site effectively.

This design would contribute to the exciting, rapid regeneration of the area, with homes that are highly desirable for their location, transport connections and views. The acquisition of this prime land has proven a highly valuable addition to the Group's land bank.

300

Yards from new Crossrail station

152

Resolution to grant planning permission received for 152 apartments

KEY PERFORMANCE INDICATORS

FINANCIAL

KPI	STRATEGIC FOCUS	2014 PERFORMANCE
REVENUE	Revenue from housebuilding activities is expected to increase significantly and this will be supplemented by land sales	**28.0% ↑** 14 £39.8m 13 £31.1m 12 £6.1m 11 £21.4m
PROFIT BEFORE TAX	The Board's expectation is to continue to build on the profitability achieved over the last two years and will seek to secure this by the planned expansion of housebuilding	**65.7% ↑** 14 £8.6m 13 £5.2m 12 £1.6m 11 £3.5m
NET ASSET VALUE PER SHARE[1]	The value added to the land bank by the planning process will continue to be the Group's key focus. Further value will be extracted from the land bank through the development activities	**10.1% ↑** 14 31.6p 13 28.7p 12 27.0p 11 26.5p
DIVIDEND PER SHARE	It is the Group's intention to progressively increase the dividend annually as profits rise	**122.2% ↑** 14 0.60p 13 0.27p 12 0.067p 11 0.0p
BASIC EARNINGS PER SHARE	The increase in revenue and profitability mentioned above will have a proportional impact on earnings per share which should continue to improve	**45.0% ↑** 14 2.87p 13 1.98p 12 0.41p 11 2.10p

1. Excludes the Group's interest in DGVL from which Inland expects to derive a further 2.8p per share net of tax and any unrealised gains within our land bank.

NON-FINANCIAL

KPI	STRATEGIC FOCUS	2014 PERFORMANCE
NUMBER OF PLOTS WITH OR WITHOUT PLANNING CONSENT	The Group's focus is to have a land bank of approximately 5,000 residential plots within the next twelve months	**61.9% ↑** 14 2,416 1,318 3,734 13 1,249 1,057 2,306 12 727 1,215 1,942 11 481 1,109 1,590
TOTAL RESIDENTIAL PLOTS SOLD	In line with the expanding housebuilding activity, less plots are sold to housebuilders. The Group's objective will be to sell consented plots to raise working capital or those plots that are unlikely to be developed by Inland Homes	**62.5% ↓** 14 169* 13 451* 12 183* 11 256*
RESIDENTIAL HOME SALES	The Group expects to sell 270 residential units in the year to June 2015 and the plan is to increase this target to 500 units in the medium term	**107.3% ↑** 14 114* 13 55 12 9 11 35
PLANNING PERMISSION GAINED DURING THE YEAR	The core activity of the Group is to acquire sites without planning consent and to secure consent on the majority of them within two years from purchase	**23.8% ↓** 14 378 13 496 12 283 11 871
AVERAGE NUMBER OF EMPLOYEES	The average number of employees has increased from 14 to 24 and this will continue to rise modestly as the volume of housebuilding increases	**71.4% ↑** 14 24 13 14 12 13 11 13

* Includes plots sold within DGVL.

RISK AND RISK MANAGEMENT

	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

	RISK	POTENTIAL IMPACT	STRATEGY/MITIGATION
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 housebuilding and increase the cost of infrastructure works	The Group tries to build strong relationships with main contractors 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

CORPORATE, SOCIAL, ETHICAL AND ENVIRONMENTAL RESPONSIBILITIES

The nature of our work means we will always make an impact on the local area. However, through our focus on sustainability, we ensure that this is a positive impact, with a careful consideration of six key areas. We engage with the needs of the local community, and our customers who will eventually join this community; we protect the health and safety of our colleagues, as well as their development within the Group; and we seek productive relationships and innovative technologies that ensure our houses and our means for building them last sustainably into the future.

COMMUNITY

At Inland Homes we are committed to building more than just homes - we strive to create developments that engage and reflect the local community. During the research and planning phase for each development we undertake consultations with the community, discussing the site and its surrounding environment with local groups and town councils. The opinions and requests of both the neighbourhood residents and local government bodies are collected and considered for the brief that the designers and architects base their plans upon. This consultation process means that we can develop the site in a way that best reflects the different needs of the local community.

As well as building a development that will continue to serve the needs of local residents into the future, we are also keen to invest in the community through our engagement with charities, for example sponsoring community sports teams and mini-buses for local schools.

CUSTOMERS

It is of paramount importance to Inland Homes to deliver a high quality service to our customers, from the earliest stages of planning, to after the build is complete.

Our house designs are constantly evolving, based upon feedback from customers on previous projects and our ever growing expertise. We design our developments to meet our customers' needs beyond that of housing, with, for example, outside spaces, children's play areas and gyms. Within the homes, we offer a choice of interior design options to those who purchase our properties in advance of completion.

We manage the handover process, ensuring that the quality of the build meets our stringent standards, and providing introductory home tours for new residents as well as moving in packs with all relevant information. We also co-ordinate aftercare with the contractors, manage feedback and respond to any customer service issues through a centralised system.

Planning was gained for 41 units on Vale Road in Bushey, Hertfordshire

HEALTH AND SAFETY

It is extremely important to Inland Homes to maintain the highest standard of Health and Safety practices, both with our own employees, and with all contractors involved in our projects. We have rigorous standards which we enforce to ensure safe working practices at all of our sites. Employees have received Health and Safety training, and we require all external contractors who enter our sites to carry a CSCS card at all times to indicate that they have also undergone the necessary training.

We have a strong network of Health and Safety advisers. Additionally, each site is appointed a Construction, Design and Management co-ordinator, who oversees Health and Safety on behalf of Inland Homes. They prepare a comprehensive Health and Safety plan before construction starts, and this is assessed alongside the contractor's Health and Safety and risk plans, before a contract is issued. Once work has commenced on site, we carry out regular Health and Safety audits, as well as assessing monthly reports provided by the contractors.

SUPPLY CHAIN

Inland Homes have relationships with a number of contractors who specialise in different types of build. It is essential to select the correct contractor, both to ensure a high quality result, and to draw on their experience and expertise during the process. There is a dialogue with the contractors throughout the planning and building stages, and we consider suggestions on alternative materials or methods for construction. Using these suggestions has led to saving money and time on several projects, benefiting both us and our contractors, and to discovering new techniques that we may return to in future projects. This co-operation leads to ongoing relationships, which we seek to ensure are mutually beneficial. Our collaborative approach delivers high quality buildings.

As well as developing long term relationships with our contractors, to further our sustainable supply chain we consider the sustainability of materials used on our sites. We clearly specify which materials we permit on our sites, and strive to use sustainable and locally sourced products where possible, as well as experimenting with new sustainable materials.

CORPORATE, SOCIAL, ETHICAL AND ENVIRONMENTAL RESPONSIBILITIES CONTINUED

SUSTAINABLE HOMES

At Inland Homes we constantly seek innovative materials and methods to improve the environmental performance of our properties. We follow each development in legislation and policy that guides sustainability in home building, and ensure that our projects are at the forefront of environmental sustainability.

We include many features in our buildings to minimise their environmental impact, such as rainwater harvesting. We design our buildings to perform throughout the year, with insulation and air-flow optimisation to aid summer cooling as well as retaining warmth in winter. We also seek environmentally friendly materials, both using locally sourced supplies where possible, and experimenting with innovative new technology such as the Durisol block, a building block made of reclaimed softwood, bound with concrete. Comprising of more than 90% recycled material, and generating no waste during manufacture, the block is not only environmentally friendly in production, but also as a feature in homes due to its insulating properties.

OUR PEOPLE

Our philosophy of employment is to attract and cultivate raw talent, and encourage people to reach their full potential by offering them opportunities to grow within our open and entrepreneurial culture. We support all of our employees in attending conferences and pursuing qualifications that assist their professional development. Our number of employees has doubled in the last two years to 28, with growth in all departments, supporting our move into housebuilding. We plan to continue measured expansion in the future to complement our strategy, particularly in the establishment of a strategic land department.

As we undertake much of our work through outsourcing, we are also reliant on the continued development of skilled workers outside of the Group. In response to the shortage of skilled labourers, we are involved in initiatives to train the next generation of workers. In some contracts we specify that our contractors must employ apprentices from the local areas. We are setting up a mechanism to connect to local colleges, so that the students can gain the necessary practical experience on our sites to kickstart their careers.

Strategic Report is approved by order of the Board

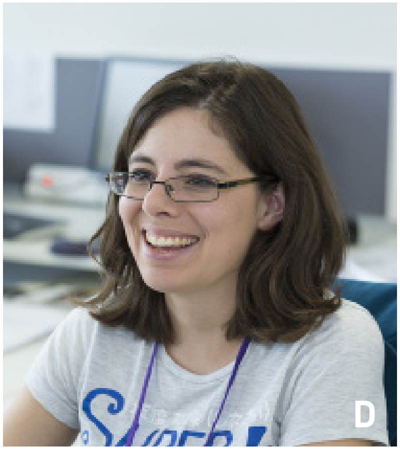
Paul Brett
Director
15 October 2014

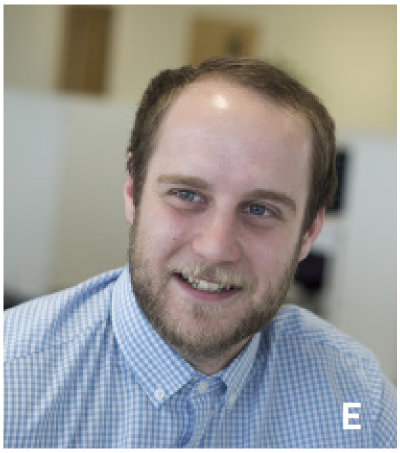
A. Inland Homes plc's new Head Office

B. Peter Kimber – Site Service Manager

C. Tom Cuff – Group Legal Director

D. Keren Birdseye – Architectural Assistant





E. Rob Williams – Assistant Accountant

F. Kathy Hoare – Sales Co-Ordinator

G. John Embleton & Ricky Hayes – DGV site liaison

H. Nikki McCue – Office Administrator

I. Linda Smith – Assistant Accountant

J. Sue Fenton – Office Manager

K. Gary Magee – Planning Assistant

L. Gordon Pearce – Customer Services Manager

M. James Gallagher – Project Manager

N. Olie Pearcy – Trainee Land Buyer

Artist's impression of our site in Gerrards Cross, Buckinghamshire where we recently gained planning permission for a new development of 15 units

OUR GOVERNANCE

CONTENTS

10.1%

Net assets per share increased by 10.1% to 31.6p (2013: 28.7p) excluding any unrealised gains within our land bank and further value from DGV

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 the Land Director. The Board's main roles are to approve and review 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' 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 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.

Left: Completed houses at Carter's Quay in Poole, Dorset

BOARD OF DIRECTORS

TERRY ROYDON

Non-executive Chairman

Appointment to the Board
March 2007

Skills he brings to the Board
He has extensive managerial, practical and political experience of the property sector obtained over a 40 year career

Previous experience
- Chief Executive of Prowting plc, a UK housebuilder he led to flotation in 1988 and which was purchased by Westbury plc for £140m in June 2002
- Non-executive Director of LSE quoted Country & Metropolitan plc
- Non-executive Director of Gladedale Holdings plc
- President of the Home Builders Federation and of the European Union of Housebuilders and Developers
- Holds a BSC in Estate Management and a MBA

External appointments
- Consultant and member of the Board of Dom Development S.A., a major quoted Polish residential developer
- Non-executive Director of AIM quoted Kimberly Resources NV
- Non-executive Director of Larkfleet Holdings Limited

STEPHEN WICKS

Chief Executive

Appointment to the Board
June 2005

Skills he brings to the Board
He has worked in the construction and housebuilding sector all of his working life and has extensive experience in the acquisition of large scale development opportunities

Previous experience
- Founding shareholder and Chief Executive of Country & Metropolitan plc, which floated on the main market of the London Stock Exchange in December 1999 with a market capitalisation of £6.9m
- He directed the growth of Country & Metropolitan plc until its disposal in April 2005 to Gladedale Holdings plc for approximately £72m

NISHITH MALDE

Group Finance Director

Appointment to the Board
June 2005

Skills he brings to the Board
He has over 25 years experience in the property sector with wide professional knowledge and understanding of both listed and unlisted companies

Previous experience
- Qualified as a Chartered Accountant with KPMG in 1985 where he advised owner-managed businesses
- Finance Director and Company Secretary of Country & Metropolitan plc where he was actively involved in the preparation for the flotation of the company in December 1999 and its further development until it was acquired by Gladedale Holdings plc in April 2005

External appointments
- Member of the board of AIM quoted Energiser Investments plc

PAUL BRETT

Land Director

Appointment to the Board
October 2011

Skills he brings to the Board
He has worked in the land and planning sector all of his working life and has considerable knowledge of local and national planning policies. He is particularly skilled in the delivery of complex land acquisitions

Previous experience
- Land Director of the Southern Region of Country & Metropolitan plc for ten years during which time it floated on the main market of the London Stock Exchange
- Contributed to the growth of the Southern Region and its land bank, until its disposal to Gladedale Holdings plc in April 2005

SIMON BENNETT ■ ■

Non-executive Director

Appointment to the Board
March 2007

Skills he brings to the Board
He has 30 years of investment banking experience and of providing corporate finance and broking advice to growing companies

Previous experience
- Qualified as a Chartered Accountant in 1981
- Head of Corporate Finance and Head of the Mid and Small Caps team at Credit Lyonnais Securities
- Managing Director of Baker Tilly & Co Limited
- Head of Corporate Broking at Fairfax IS plc
- Head of Corporate Broking at Sanlam Securities

External appointments
- He established Incremental Capital LLP to provide corporate finance advice to mid and small cap companies
- Chairman of the Grown Up Chocolate Company

■ Member of the Audit Committee

■ Member of the Remuneration Committee

SENIOR MANAGEMENT (THE BROADER TEAM)

MARK GILPIN
Planning Director

Time with Group
4 years

Skills he brings to the Group
He has over 25 years experience of master planning and public consultations for residential, commercial, retail and industrial projects

Previous experience
- BArch graduate from the University of Bath
- Member of RIBA
- Design and Technical Director at St James Homes (part of Berkeley Group Holdings plc)
- Design and Planning Director at Fairview New Homes
- Land, Design & Planning Director at Howarth Homes plc

VICKI NOON
Sales & Marketing Director

Time with Group
3 years

Skills she brings to the Group
She brings a wealth of experience having worked in the housebuilding industry most of her working life with well-rounded expertise in all aspects of her discipline

Previous experience
- Worked with board of Country & Metropolitan plc through to the Gladedale acquisition as Sales & Marketing Director
- Regional Sales & Marketing Director at Gladedale plc
- Head of Sales & Marketing at Prowting Homes Central

MELANIE HYLAND
Financial Operations Director

Time with Group
5 years

Skills she brings to the Group
She has worked in the housebuilding sector for over 11 years and has extensive knowledge of statutory reporting, forecasting and securing funding

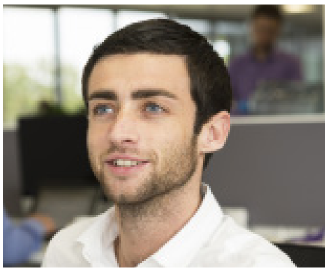
Previous experience
- Qualified as a Chartered Certified Accountant in 2007
- Joined the Group as Financial Controller
- Divisional Finance Manager at Barratt Developments plc
- Financial Accountant and Senior Management Accountant at St James Urban Living (part of Berkeley Group Holdings plc)

PEDRO LONGRAS
Development Director

Time with Group
7 years

Skills he brings to the Group
Pedro has a wide-ranging knowledge of construction, health & safety, technical, land and the planning aspects of the business

Previous experience
- Land Management graduate from the University of Reading



DES WICKS
Land Manager

Time with Group
7 years

Skills he brings to the Group
He has worked at Inland Homes since leaving full-time education and has developed an expertise in identifying and acquiring brownfield sites, negotiates on both purchases and disposals of land

Previous experience
- Joined the Group as a Trainee Land Buyer
- Specialises in complex land assemblies using considerable negotiation skills in order to obtain valuable and attractive terms

MATT CORCORAN
Planning Manager

Time with Group
3 years

Skills he brings to the Group
He has ten years experience of town planning and development of residential, commercial, retail and mixed-use projects

Previous experience
- Qualified Town Planner
- MA in Urban and Regional Planning from the University of Westminster
- Part of the Planning and Development Management Team at the London Borough of Barnet, overseeing strategic growth initiatives and infrastructure projects

CHRIS PIPE
Financial Controller

Time with Group
6 months

Skills he brings to the Group
He has worked in the construction and housebuilding sector for 14 years and has broad experience of systems implementation, financial modelling and forecasting

Previous experience
- Qualified as a Chartered Certified Accountant in 2000
- Finance Director at Mar City Homes
- Finance Director at Beechwood Homes
- Financial Controller at Roxylight/ Saxon Homes

RUTH WHITE
Sales & Marketing Manager

Time with Group
1 year

Skills she brings to the Group
She has worked in the property sector for 14 years and brings an expanse of knowledge and skill to site set up, marketing, brand awareness and sales progression

Previous experience
- Qualified with the Chartered Institute of Marketing
- Divisional Marketing Manager at St. George Homes (Part of Berkeley Group Holdings plc)
- Divisional Marketing Manager at Barratt Developments plc

OUR GOVERNANCE

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 £27,000 (2013: £12,000). 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 (2013: £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 2014 the Group had an average of 74 days' (2013: 57 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 2012. 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.

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 2013 the Audit Committee has met four times to consider the planning of the statutory audit and to review the Group's draft half and full year results prior to Board approval and to consider the external auditor's detailed reports thereon.

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

Above: Show home on the first phase of our Carter's Quay development in Poole, Dorset

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.

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 to determine the remuneration package of each Executive Director. The committee also determines long term incentive plans and 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.

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 2014 and sets out 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 three Executive Directors of Inland Homes, namely Stephen Wicks, Chief Executive, Nishith Malde, Finance Director and Paul Brett, Land Director and independent advice from external consultants 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, deferred bonus plan, a long term incentive plan 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.

In 2013, in line with best corporate governance and market practice, the Remuneration Committee introduced a new deferred bonus plan and a long term incentive plan for the Company's Executive Directors, which have been designed to incentivise the Executive Directors to grow the business and maximise returns to shareholders. The latter is known as The Inland Homes plc 2013 Growth Plan ("2013 LTIP"), which will operate for a period of six years and which was approved by shareholders in general meeting in December 2013. The key elements of the scheme are set out below.

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, taking into account comparable salaries for similar companies of a similar size in the same market.

DEFERRED BONUS PLAN

The Deferred Bonus Plan came into effect on 1 July 2013. Executive Directors can earn up to 100% of basic annual salary as an annual bonus. The plan provides for 50% of an Executive Director's bonus to be mandatorily deferred into ordinary shares in the Company. Under these arrangements, bonuses would be based on a percentage of the individual Executive Director's base salary as follows:

- 50% of salary for "on target" performance; and
- a further 50% of salary for "out-performance".

For example, for achieving 90% of on target performance there will be a discretionary bonus of up to 25% of salary (and pro-rata between 90% and 100% of on target performance) and there will be no bonus for less than 90% of on target performance.

The target is measured by reference to two equally weighted performance measures, namely:

- profit before taxation as compared with brokers' market forecasts following the announcement of the preliminary results of the previous accounting period; and
- net debt levels.

Once the quantum of the Executive Directors' bonuses has been calculated, these will be settled as to 50% in cash and as to 50% by the issue of ordinary shares of the Company. The issue of any ordinary shares awarded under the Deferred Bonus Plan will be deferred for three years and will be subject to forfeiture in the event that an Executive leaves the Company as a "bad leaver", but would not be subject to further performance conditions.

LONG TERM INCENTIVE PLANS

The Company operates both an unapproved share option scheme, which is open to all employees of Inland Homes and the recently introduced 2013 LTIP for the Executive Directors.

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

DIRECTORS' REMUNERATION REPORT CONTINUED

The following is a summary of the principal features and terms of the 2013 LTIP:

1. Creation of Growth Shares

The plan operates by reference to rights attached to a special class of share in a newly established intermediate holding company between the Company and the Group's current trading subsidiaries. The special class of shares are called "Growth Shares". The Growth Shares are qualifying shares for the purposes of the Employee Shareholder Status scheme, a recently introduced proposal by the Government, the aim of which is to provide tax benefits to employees and Directors who achieve growth for their employing companies.

The vesting of the Growth Shares will be subject to performance targets ("Performance Targets") and when such Performance Targets are achieved, a relevant proportion of the Growth Shares will vest.

2. Vesting and Exchange of Growth Shares

Subject to the Performance Targets being met, the Growth Shares will only vest three years after their award and thereafter annually if and when each Performance Target is met. After vesting, the Growth Shares may be realised by being exchanged for a fixed number of the Company's ordinary shares.

The Growth Shares will not carry any entitlement to dividends, capital or voting unless and until they vest and are exchanged for shares in the Company.

3. Performance Targets

Vesting will only occur if specific Performance Targets (which are linked to the share price of Inland Homes plc over six consecutive performance periods) are met or exceeded for 15 working days in the relevant performance period. The first performance period will end 20 working days after the announcement of the Company's preliminary results for the year ended 30 June 2014, being 27 October 2014. The second performance period will commence on the day following the expiry of the first performance period and will end 20 working days after the announcement of the Company's preliminary results for the year ended 30 June 2015 and so on. It is expected that the announcement of preliminary results for each year will be in September. Accordingly, each performance period is likely to end in October.

The target share prices for the 2013 LTIP are based on compounded growth being achieved and accordingly, if the Performance Target is missed in one period, the participants' awards can still vest if the required compound percentage of growth is achieved in subsequent periods. For instance, if in the first period the Performance Target for that period is not met, then the related number of Growth Shares which could have vested may still vest in the following period or periods, provided that the Performance Target for those periods is achieved, as the target gets increasingly more stretching.

The first Performance Target has been set as a price of 60.5 pence per ordinary share (the "First Target Performance Price"), which has been set at a 30% premium to the share price of 46.5 pence per ordinary share (the "Initial Base Price"), being the mid price at the close of business on 20 December 2013, the date 2013 LTIP was adopted.

The table below shows the accounting periods and the total number of ordinary shares in the Company that would be issuable on exchange for vested Growth Shares assuming the Performance Target for each year of the respective years is achieved:

Start date of accounting period	Performance target (Inland Homes plc share price)	Total number of Inland Homes plc shares
1 July 2013	30% above Initial Base Price	2,000,000
1 July 2014	15% compounded	2,000,000
1 July 2015	10% compounded	2,000,000
1 July 2016	10% compounded	2,000,000
1 July 2017	10% compounded	2,000,000
1 July 2018	10% compounded	1,350,504
		11,350,504

4. Dilution

The total number of shares in the Company which may become issuable on the exchange of Growth Shares (assuming vesting in full) is 11,350,504, equivalent to 5.6% of the current issued share capital of the Company. In order for the maximum of 11,350,504 ordinary shares in the Company to become issuable under the 2013 LTIP, the price for each Inland Homes ordinary share, in the absence of a takeover, will have had to have more than doubled before the end of the final performance period (being 20 working days after the announcement of the preliminary results for the year ending 30 June 2019), when compared with the Initial Base Price of 46.5 pence per ordinary share. This increase is approximately equivalent to a 14% annual compound rise in the ordinary share price.

5. Change of Control

The 2013 LTIP will allow realisation from three years after the award, provided the Performance Targets have been met. As is customary, the 2013 LTIP does provide for early vesting of Growth Shares in the event of a takeover of Inland Homes before the expiry of the plan, such that all the Growth Shares will vest, provided that the offer price is greater than the share price required to achieve the Performance Target for the relevant performance period in which the takeover occurs.

6. Participants

The Executive Directors who will participate in the 2013 LTIP and their allocations of Growth Shares, is as follows: Stephen Wicks 47%, Nishith Malde 38% and Paul Brett 15%. In addition, any awards to the Executive Directors under the 2013 LTIP are subject to good and bad leaver provisions.

OTHER BENEFITS

Depending on the exact terms of each individual Executive Director'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 health insurance and death in service insurance.

DIRECTORS' REMUNERATION REPORT CONTINUED

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 Stephen Wicks and Nishith Malde, and three months' notice in relation to Paul Brett, and contain confidentiality provisions and restrictive covenants for the Company's protection.

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 and depending on the circumstances, any awards due under the 2013 LTIP.

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.

Non-executive 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.

The current service contracts of the Executive Directors, the letters of appointment of the Non-executive Directors and the Rules of the 2013 LTIP are available for inspection at the Company's registered office during normal office hours and at the Company's Annual General Meeting ("AGM") until the conclusion of the AGM.

DIRECTORS' EMOLUMENTS FOR THE YEAR ENDED 30 JUNE 2014

A review of the financial results for the year ended 30 June 2014 as more fully set out in the Chairman's Statement, the Chief Executive's Review and the Finance Director's Review, demonstrates the robustness of the Company's business model and strategy. It has been an outstanding year for Inland Homes, one in which all the strategic objectives have been achieved, particularly with regard to growing the land bank and the record number of housebuilding completions achieved during the year. The financial results have been equally strong with revenue having increased by 28%, gross margins up by 104%, profit before tax by 66%, earnings per share up by 45%, net assets per share, which excludes any unrealised profits within the land bank, up over 10% and dividends up 122%.

In light of the excellent results recorded by the Group, the following bonuses have been awarded by the Remuneration Committee to the Executive Directors, as follows:

Stephen Wicks	£240,000
Nishith Malde	£240,000
Paul Brett	£160,000

In accordance with the rules of the Deferred Bonus Plan, further details of which are set out above, these bonuses will be settled as to 50% in cash and as to 50% in ordinary shares of the Company. The ordinary shares awarded in respect of these bonuses will be deferred for three years and will be subject to forfeiture in the event that an Executive Director leaves the Company as a "bad leaver", but are not subject to any further performance conditions. The award of ordinary shares of the Company will be granted on terms that, when they vest, the number of ordinary shares subject to the award shall be increased by deeming the net dividends paid on the ordinary shares from the date of the award until the date of vesting to have been cumulatively reinvested in additional ordinary shares.

DIRECTORS' REMUNERATION TABLE

The remuneration of each of the Directors during the year ended 30 June 2014 is set out in detail below:

	2014							2013
	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*	348	240	34	—	622	93	715	493
N Malde*	336	240	27	12	615	92	707	481
P Brett	197	160	11	20	388	57	445	292
Non-executive Directors								
T Roydon	45	—	—	—	45	—	45	45
S Bennett	35	—	—	—	35	—	35	35

* S Wicks has taken his pension entitlement as part of his salary and N Malde has taken part of his pension entitlement from October 2013 as part of his salary.

DIRECTORS' INTERESTS IN SHARES AND THE UNAPPROVED SHARE OPTION SCHEME AND THE 2013 LTIP

Directors' interests in the Company's ordinary shares are disclosed in the Directors' Report.

The share options held by the Directors in the unapproved share option scheme and the 2013 LTIP are set out below:

	Stephen Wicks	Nishith Malde	Paul Brett
Options exercisable 28 March 2010 to 27 March 2017 at 50.0p	—	—	700,000
Options exercisable 17 December 2012 to 16 December 2019 at 16.5p	—	—	400,000
Options exercisable 22 November 2013 to 21 November 2020 at 18.25p	1,500,000	1,500,000	—
Total options outstanding at 30 June 2013	1,500,000	1,500,000	1,100,000
Exercised during the year at 18.25p	(1,500,000)	—	—
Total options outstanding at 30 June 2014	**—**	**1,500,000**	**1,100,000**

No awards are likely to be made at this time under the 2013 LTIP as Inland Homes' share price has not yet reached the First Performance Target price of 60.5 pence per ordinary share for the necessary 15 working days to satisfy the requirements of the first vesting period.

DIRECTORS' REPORT

The Directors present their report and the financial statements of the Group and the Company for the year ended 30 June 2014.

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 71 and the Group's financial position at the end of the year is set out in the Group Statement of Financial Position on page 72. Further details of the performance during the financial year and expected future developments are contained in the Chairman's Statement, Chief Executive's Review and the Finance Director's Review which form part of the Strategic Report.

The Directors have proposed a final dividend of 0.60p per share (2013: 0.27p).

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 page 6 and the Chief Executive's Review on pages 20 to 22. The Group's key performance indicators are monitored closely by the Board and the details of performance against these are on pages 38 and 39.

PRINCIPAL RISKS AND UNCERTAINTIES

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.

Read our Group Income Statement on **page 71**

Read about Principal Risks on **pages 40 and 41**

Above: Showhome at Portland House, Gerrards Cross in Buckinghamshire

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, 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 26 to the Group financial statements.

DIRECTORS' REPORT CONTINUED

DIRECTORS AND THEIR INTERESTS

Each of the Directors listed on pages 50 and 51 held office as at 30 June 2014. The Directors of the Company and their respective beneficial interests in the shares of the Company as at 30 June 2014 were as follows:

	As at 30 June 2014			As at 30 June 2013		
	Number of ordinary shares	Number of 'Growth' shares	Number of share options	Number of ordinary shares	Number of redeemable shares	Number of share options
Ordinary Shares						
S D Wicks	**16,237,332**	**470**	**—**	16,237,332	490	1,500,000
N Malde	**11,270,029**	**380**	**1,500,000**	11,072,400	392	1,500,000
P Brett	**3,504,214**	**150**	**1,100,000**	3,444,214	98	1,100,000
T Roydon	**325,000**	**—**	**—**	325,000	—	—
S Bennett	**110,000**	**—**	**—**	110,000	—	—

P Brett is retiring by rotation in accordance with the Company's Articles of Association and has offered himself for re-election.

During the year, Stephen Wicks exercised 1,500,000 share options over ordinary shares of 10 pence under the Group's Employee Share Option Scheme at a price of 18.25 pence per ordinary share. On admission to AIM, Mr Wicks sold all 1,500,000 ordinary shares at a price of 42 pence per share. Further information on share options can be found in Note 20 to the Group financial statements.

During the year, the Group's 2007 Long Term Incentive Plan was terminated and the 980 redeemable shares were redesignated as 9,800 valueless deferred shares of 10 pence each and replaced with the 'Growth' shares under the 2013 LTIP. Further information on the 2013 LTIP can be found in the Directors' Remuneration Report on pages 56 to 61.

Read our Director's Remuneration Report on **pages 56 to 61**

Above: Artist's impression of our development on the former St. John's Hospital site in Chelmsford, Essex

DIRECTORS' EMOLUMENTS

Details of Directors' remuneration can be found in the Directors' Remuneration Report on pages 56 to 61.

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.

SUBSTANTIAL SHAREHOLDING

As at 15 October 2014, 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	10.36
Karoo Investment Fund SCA SICAV SIF	11,564,971	5.70
A K Brett	7,000,000	3.45
Downing LLP	6,935,512	3.42

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 risk. 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 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 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 1 December 2014.

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
15 October 2014

Completed nursing home, shops and site management area at DGV

Proposed development at Meridian, Southampton, Hampshire

OUR FINANCIALS

CONTENTS

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 2014 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 66, 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 2014 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 Strategic Report and 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 2014.

Grant Thornton UK LLP

Nicholas Watson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Reading
15 October 2014

GROUP INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

Continuing operations	Note	2014 £000	2013 £000
Revenue	5	**39,824**	31,116
Cost of sales	5/6	**(24,126)**	(23,431)
Gross profit		**15,698**	7,685
Administrative expenses		**(4,353)**	(2,652)
(Loss)/profit on investments		**(822)**	48
Operating profit		**10,523**	5,081
Finance cost – interest expense	8	**(2,751)**	(1,419)
Finance cost – notional interest	8	**(57)**	(270)
Finance income – interest on DGVL arrangement	9	**263**	226
Finance income – interest receivable and similar income	9	**45**	83
		8,023	3,701
Share of profit from Howarth (former associate)	13	**—**	330
Profit on disposal of investment in Howarth (former associate)	13	**—**	292
Share of profit of joint venture	13	**613**	889
Profit before tax		**8,636**	5,212
Income tax	10	**(2,830)**	(1,559)
Profit for the year		**5,806**	3,653
Attributable to:			
Equity holders of the Company		**5,806**	3,653
Earnings per share for profit attributable to the equity holders of the Company during the year			
– basic	11	**2.87p**	1.98p
– diluted	11	**2.70p**	1.97p

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

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 £000	2013 £000
Profit for the year	21	**5,806**	3,653
Other comprehensive income		**—**	—
Total comprehensive income for the year		**5,806**	3,653

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

GROUP STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

	Note	2014 £000	2013 £000
ASSETS			
Non-current assets			
Investment property	12	**7,681**	7,681
Property, plant and equipment	12	**153**	173
Investments	13	**541**	1,363
Joint ventures	13	**—**	243
Receivables due in more than one year	16	**55**	55
Deferred tax	14	**2,767**	3,414
Total non-current assets		**11,197**	12,929
Current assets			
Inventories	15	**90,275**	44,736
Trade and other receivables	16	**13,983**	15,085
Loan to Howarth (former associate)	17	**—**	1,000
Listed investments held for trading (carried at fair value through profit and loss)	18	**1**	1
Cash and cash equivalents	19	**11,169**	12,154
Total current assets		**115,428**	72,976
Total assets		**126,625**	85,905
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	20	**20,280**	20,131
Share premium account	21	**34,033**	33,695
Treasury shares	21	**—**	(366)
Special reserve	21	**6,059**	6,059
Retained earnings	21	**3,649**	(1,789)
Total equity		**64,021**	57,730
LIABILITIES			
Current liabilities			
Bank loans and overdrafts	27	**19,192**	1,613
Other loans	27	**9,231**	4,710
Trade and other payables	22	**10,497**	3,559
Corporation tax	22	**2,808**	625
Other financial liabilities	23	**9,324**	7,947
Total current liabilities		**51,052**	18,454
Non-current liabilities			
Zero Dividend Preference shares	23	**11,552**	9,721
Total non-current liabilities		**11,552**	9,721
Total equity and liabilities		**126,625**	85,905

The financial statements were approved and authorised for issue by the Board of Directors on 15 October 2014.

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 2014

	Share capital £000	Share premium £000	Treasury shares £000	Special reserve £000	Retained earnings £000	Total £000
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
Share-based payment	—	—	—	—	171	171
Dividend payment	—	—	—	—	(540)	(540)
Cancellation of deferred shares	(1)	—	—	—	1	—
Sale of treasury shares	—	214	366	—	—	580
Issue of equity	150	124	—	—	—	274
Transactions with owners	149	338	366	—	(368)	485
Total comprehensive income for the year	—	—	—	—	5,806	5,806
Total changes in equity	149	338	366	—	5,438	6,291
At 30 June 2014	**20,280**	**34,033**	**—**	**6,059**	**3,649**	**64,021**

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

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 £000	2013 £000
Cash flow from operating activities			
Profit for the year before tax		**8,636**	5,212
Adjustments for:			
— depreciation	12	**71**	49
— profit on disposal of property, plant and equipment		**(3)**	(9)
— share-based compensation		**171**	62
— fair value adjustment for the value of the DGVL investment		**822**	(48)
— interest expense		**2,808**	1,689
— interest and similar income		**(308)**	(308)
— share of profit of Howarth (former associate)		**—**	(330)
— profit on disposal of investment in Howarth (former associate)		**—**	(292)
— share of profit in joint venture		**(613)**	(889)
Changes in working capital:			
— increase in investments		**—**	219
— (increase)/decrease in inventories		**(45,540)**	161
— decrease/(increase) in trade and other receivables		**1,365**	(12,228)
— increase in trade and other payables		**8,133**	1,744
Net cash outflow from operating activities		**(24,458)**	(4,968)
Cash flow from investing activities			
Interest received		**45**	83
Purchases of property, plant and equipment	12	**(51)**	(156)
Sale of property, plant and equipment		**3**	11
Distribution from joint venture		**856**	2,995
Net proceeds on sale of investment in Howarth (former associate)		**—**	1,364
Net cash inflow from investing activities		**853**	4,297
Cash flow from financing activities			
Interest paid		**(1,902)**	(1,072)
Repayment of borrowings		**(3,039)**	(6,531)
New loans		**26,247**	15,244
Equity dividends paid to ordinary shareholders		**(540)**	(122)
Net proceeds on sale of treasury shares		**580**	—
Net proceeds on issue of ordinary shares		**274**	4,731
Receipt of loan repayment from Howarth (former associate)		**1,000**	—
Net cash inflow from financing activities		**22,620**	12,250
Net (decrease)/increase in cash and cash equivalents		**(985)**	11,579
Net cash and cash equivalents at beginning of year		**12,154**	575
Net cash and cash equivalents at end of year		**11,169**	12,154

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

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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 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. IFRS13 Fair Value Measurement became mandatory for the first time for the financial year beginning 1 July 2013 but has had no material impact on the results of the Group for the year ended 30 June 2014.

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 2014.

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 2018)
- IFRS15 Revenue from Contracts with Customers (effective 1 January 2017)
- IAS19 Employee Benefits (Revised June 2011) (effective 1 January 2014)
- Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS7 (effective 1 January 2014)
- Offsetting Financial Assets and Financial Liabilities — Amendments to IAS32 (effective 1 January 2014)

None of the standards above are expected to have an impact on the Group's financial statements. The Directors are currently assessing the impact of IFRS10 on accounting for the DGVL arrangement but at this stage do not anticipate any material changes. However, as IFRS10 specifically requires the question of control to be reassessed on an ongoing basis, this matter will be kept under review.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

1. ACCOUNTING POLICIES CONTINUED

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 2014. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

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

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

Going concern

The Board has reviewed the performance for the current year and forecasts for the future period. It has also considered the risks and uncertainties, including credit risk and liquidity risk. 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 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 consider it appropriate to prepare the financial statements on the going concern basis.

Joint ventures

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

Revenue

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

1. ACCOUNTING POLICIES CONTINUED

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.

Contract income

The Group acts as a main contractor on certain building projects, primarily on behalf of housing associations whilst carrying out its s106 obligations. Once the Group considers that the outcome of the contract can be reliably estimated, revenue and profit is recognised on the basis of the proportion of the contract that is completed.

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.

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 Group Income Statement. Any revaluation surplus remaining in equity on disposal of the asset is transferred to the profit and loss reserve.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

1. ACCOUNTING POLICIES CONTINUED

Depreciation

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

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

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

Investment property

Investment properties are measured at cost and are reviewed annually for impairment. Any gain or loss resulting from the sale of an investment property is immediately recognised in profit or loss. As a result, investment properties are not depreciated. An investment property shall be derecognised on disposal or when the Directors consider that the status of the property has changed to being a development property. When a partial disposal or transfer is made, the proportion relating to the disposal or transfer is derecognised.

Inventories

Inventories consist of land and work in progress and are valued at the lower of cost and net realisable value. Cost includes the purchase of sites, the cost of infrastructure and construction works, and legal and professional fees incurred during development prior to sale. Net realisable value is estimated based upon the future expected selling price, less estimated costs to sell.

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.

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.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

1. ACCOUNTING POLICIES CONTINUED

Financial assets continued

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

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

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

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

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.

1. ACCOUNTING POLICIES CONTINUED

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.

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:

	2014 £000	2013 £000
Classes of financial assets — carrying amounts		
Listed investments held for trading	**1**	1
Loan to Howarth (former associate)	**—**	1,000
Cash and cash equivalents	**11,169**	12,154
Trade and other receivables	**13,983**	15,085
Receivables due in more than one year	**55**	55
	25,208	28,295

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

The Group's management considers that all the above financial assets for each of the reporting dates under review are of good credit quality. The Directors consider that none of the receivables are past due or impaired.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

2. FINANCIAL RISK MANAGEMENT CONTINUED

Financial risk factors continued

(a) Credit risk continued

Some of the Group's financial assets are secured by collateral. This collateral is a second charge over land owned by DGVL and in the opinion of the Directors, it mitigates the credit risk of the DGVL debtor.

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 5.

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. Cost includes the purchase of sites, the cost of infrastructure and construction works, and legal and professional fees incurred during development prior to sale. 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

(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.

Investments

In December 2008 the Group 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 SIC12 'Consolidation – special purpose vehicles' and do not believe that the Group has the power to control DGVL. Firstly, the final decision on the funding, financial and operational activities of DGVL resides with the director of DGVL himself, including the unilateral discretion over the choice of supplier of development services. Secondly, the Group does not have the ability to use any power over DGVL to affect its return. The director of DGVL has the unilateral right to determine and control the overall percentage of the profit surrendered to the Group; Inland has no rights to influence the ultimate percentage it receives, only the ability to influence the overall profit by performing development services in an efficient manner. 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, after due consideration of the applicable accounting standards and the way in which DGVL and Inland operate in reality, the Board is of the opinion that Inland does not control DGVL. Accordingly, DGVL should not be consolidated in the financial statements of the Group.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

Investments continued

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 is entitled to receive an increased share of the profits from the development on the basis that the director of DGVL did not have to procure funding to meet the deferred land consideration payments. Therefore, the Group is now entitled to receive 90% of all 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 13 and balances in Note 16.

At 30 June 2014 the deferred land consideration had been met in full without the director of DGVL having to procure funding. As a result, Inland is now entitled to 90% of the profits expected to be realised from the sale of the property over the life of the project. 83.04% of the total profits are 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 are due to the Group for the provision of the initial £3m to pay the first instalment of the deferred land payment and is therefore accounted for under IAS39 as 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 2014 the Group has recognised £6.6 million (2013: £3.0 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 16.

During the year ended 30 June 2014 the Group has recognised £0.26 million (2013: £0.25 million) within interest income in the Group Income Statement in respect of such fees.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

Investments continued

As Inland is required to recognise the income based on the development services delivered and as finance income, the results are different to those recognised on the sale of property under UK GAAP within DGVL. The table below shows the revenue and interest recognised by Inland under IAS18 and IAS39 in comparison to the results recognised by DGVL on its sales under UK GAAP:

	2014 £000	2013 £000	Cumulative £000
Total revenue and interest recognised by Inland under IAS18 and 39	**6,855**	3,252	18,009
Results in DGVL (unaudited)			
Residential and commercial plots & completed homes sold	**84**	76	426
Revenue (£000)	**18,423**	5,300	47,369
Gross profit (£000) as per DGVL's unaudited management accounts	**5,723**	1,668	15,820
90% of gross profit (£000) (2013: 74.4%)	**5,151**	1,241	14,238

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

Turnover comprises the sale of land acquired for resale, the sale of completed properties, 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 and properties 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.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

5. 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

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 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

2014	**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	6,734	(3,443)	**3,291**	—	—	**3,291**	(947)	—	**2,344**
Housebuilding	18,843	(13,664)	**5,179**	—	—	**5,179**	(1,751)	—	**3,428**
S106 affordable homes	2,460	(2,214)	**246**	—	—	**246**	—	—	**246**
Contracting on behalf of DGVL	4,805	(4,805)	**—**	—	—	**—**	—	—	**—**
Fee income	6,596	—	**6,596**	—	—	**6,596**	263	—	**6,859**
Rental income	365	—	**365**	—	—	**365**	—	—	**365**
Other	21	—	**21**	—	—	**21**	—	—	**21**
— Loss on investments	—	—	**—**	—	(822)	**(822)**	—	—	**(822)**
— Share of profit of joint venture	—	—	**—**	—	—	**—**	—	613	**613**
— Unallocated	—	—	**—**	(4,353)	—	**(4,353)**	(65)	—	**(4,418)**
	39,824	(24,126)	**15,698**	(4,353)	(822)	**10,523**	(2,500)	613	**8,636**

During the year DGVL identified a purchaser for 107 residential units at Drayton Garden Village. The purchaser bought the land but would only agree to enter into a build contract with Inland Limited. The risks associated with this contract have been substantially mitigated by way of a fixed price construction contract with a main contractor. The counterparty risk is negligible as the purchaser is a very well financed housing association. Consequently the Group is recognising no margin on this contract and instead is receiving its share of the development contribution via the development services fee income from DGVL, which currently stands at 90% of the total profit expected to be realised from the development.

5. INCOME AND SEGMENTAL ANALYSIS CONTINUED

Transactions with customers making up 10% or more of revenue	2014 £000	2013 £000
Fee income customer 1	**6,593**	—
Land sales customer 2	**5,347**	3,135
Contracting customer 3	**4,805**	—
Land sales customer 4	**—**	7,410
Land sales customer 5	**—**	3,330
	16,745	13,875

All activities arose solely in the United Kingdom.

	2014 £000	2013 £000
Segment assets		
Land:		
Non-current assets — investment property	**7,681**	7,681
Non-current assets — deferred tax	**2,487**	3,159
Current assets – inventories	**55,854**	37,221
Current assets – other	**2,525**	341
	68,547	48,402
Housebuilding:		
Non-current assets — deposit match debtor	**55**	55
Current assets — inventories	**34,421**	7,515
Current assets — other	**159**	498
	34,635	8,068
Fees:		
Non-current assets — investment	**541**	1,363
Current assets — debtor	**10,502**	12,870
Current assets — other	**674**	808
	11,717	15,041
Other:		
Non-current assets — joint venture	**—**	243
Non-current assets — other	**153**	173
Non-current assets — deferred tax	**280**	255
Current assets — loan to Howarth (former associate)	**—**	1,000
Current assets — other	**124**	569
Cash	**11,169**	12,154
	11,726	14,394
Total segmental and entity assets	**126,625**	85,905

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

5. INCOME AND SEGMENTAL ANALYSIS CONTINUED

	2014 £000	2013 £000
Segment liabilities		
Land:		
Current liabilities — trade creditors	**2,203**	851
Current liabilities — loans	**2,000**	832
Current liabilities — other	**1,416**	1,056
Current liabilities — purchase consideration	**9,324**	7,947
	14,943	10,686
Housebuilding:		
Current liabilities — trade creditors	**3,607**	1,216
Current liabilities — other loans	**7,231**	3,878
Current liabilities — bank loans	**19,192**	1,613
Current liabilities — other creditors	**2,013**	363
	32,043	7,070
Fees:		
Current liabilities — other creditors	**—**	200
	—	200
Other:		
Current liabilities — trade creditors	**159**	65
Current liabilities — other creditors	**3,907**	433
Non-current liabilities — Zero Dividend Preference shares	**11,552**	9,721
	15,618	10,219
Total segmental and entity liabilities	**62,604**	28,175

6. EXPENSES BY NATURE

	Note	2014 £000	2013 £000
Depreciation	12	**71**	49
Operating lease rentals		**64**	68
Auditor's remuneration:			
— audit		**52**	41
— non-audit fees Parent Company		**16**	16
— non-audit fees Subsidiaries		**10**	10
Cost of sales		**24,126**	23,431
Other expenses		**4,140**	2,468
Total		**28,479**	26,083
Classified as:			
— cost of sales		**24,126**	23,431
— administrative expenses		**4,353**	2,652
		28,479	26,083

7. DIRECTORS AND EMPLOYEES

The employee benefit expense during the year was as follows:

	2014 £000	2013 £000
Wages and salaries	**2,730**	1,637
Social security costs	**342**	206
Pension costs — defined contribution plans	**48**	80
	3,120	1,923

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

	2014 Number	2013 Number
Management	**4**	4
Administration	**20**	10
	24	14

Remuneration in respect of Directors was as follows:

	2014 £000	2013 £000
Wages and salaries	**953**	866
Bonuses	**640**	200
Social security costs	**242**	140
Fees	**80**	80
Pension costs — defined contribution plans	**32**	60
	1,947	1,346

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

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

	2014 £000	2013 £000
Remuneration	**622**	436

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 on page 62.

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

	2014 £000	2013 £000
Wages and salaries	**1,072**	989
Bonuses	**671**	215
Social security costs	**264**	156
Pension costs — defined contribution plans	**42**	65
Share-based payment	**161**	58
	2,210	1,483

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

7. DIRECTORS AND EMPLOYEES CONTINUED

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

	As at 30 June 2014		As at 30 June 2013	
	Number of growth shares	Number of share options	Number of deferred shares	Number of share options
Key personnel and Directors	1,000	2,750,000	980	4,350,000

During the year the 2007 long term incentive plan was terminated and the 2013 LTIP was introduced. Further details can be found in the Directors' Remuneration Report on pages 56 to 61.

8. FINANCE COST

	2014 £000	2013 £000
Interest expense:		
— bank borrowings	618	169
— other loan interest	1,393	881
— notional interest on deferred consideration	57	270
— costs associated with arrangement of new facilities	740	369
	2,808	1,689

9. FINANCE INCOME

	2014 £000	2013 £000
Other interest receivable	33	78
Bank interest receivable	12	5
Interest income on DGVL arrangement	263	226
	308	309

10. INCOME TAX

	2014 £000	2013 £000
Tax charge on associate and joint venture profits	—	73
Current tax charge	2,183	625
Deferred tax asset released due to change of corporation tax rate	469	—
Deferred tax charge	178	861
	2,830	1,559

10. INCOME TAX CONTINUED

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:

	2014 £000	2013 £000
Profit before tax	**8,636**	5,212
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 22.5% (2013: 24%)	**1,943**	1,251
Expenses not deductible for tax purposes	**49**	122
Profit on disposal of associate	**—**	(207)
DGVL option impairment not deductible for tax purposes	**148**	—
ZDP interest not deductible for tax purposes	**163**	—
Other temporary differences	**—**	9
Utilisation of tax losses	**(120)**	(554)
Difference between capital allowances and depreciation	**—**	4
Tax charge	**2,183**	625

11. 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.

	2014	2013
Profit attributable to equity holders of the Company (£000)	**5,806**	3,653
Net assets attributable to equity holders of the Company (£000)	**64,021**	57,730
Weighted average number of ordinary shares in issue (000)	**202,093**	184,860
Dilutive effect of options (000)	**1,441**	872
Dilutive effect of growth shares (000)	**11,314**	—
Weighted average number of ordinary shares used in determining diluted EPS (000)	**214,848**	185,732
Basic earnings per share in pence	**2.87p**	1.98p
Diluted earnings per share in pence	**2.70p**	1.97p
Shares in issue (000)	**202,799**	201,299
Net asset value per share in pence	**31.57p**	28.68p

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

12. PROPERTY, PLANT, EQUIPMENT AND INVESTMENT PROPERTY

	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 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
Additions	—	—	9	39	3	51
Disposals	—	—	(17)	—	—	(17)
At 30 June 2014	**7,681**	**5**	**115**	**183**	**94**	**397**
Depreciation						
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
Depreciation charge	—	1	29	34	7	71
Disposals	—	—	(17)	—	—	(17)
At 30 June 2014	**—**	**5**	**45**	**109**	**85**	**244**
Net book value						
At 30 June 2014	**7,681**	**—**	**70**	**74**	**9**	**153**
At 30 June 2013	7,681	1	90	69	13	173
At 30 June 2012	8,801	2	2	41	23	68

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 £9.64 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 £7,681,000, which was the fair value of the property on acquisition. The investment property is not depreciated, as it is reviewed annually for impairment. An explanation of the fair value of the investment property is included in note 27.

The historical cost of the investment property at 30 June 2014 as noted in Poole Investments Limited's financial statements is £1,093,693 (2013: £1,093,693).

The direct operating expenses for the period arising from the investment property was £nil (2013: £11,000). The investment property generated no rental income during the period.

13. INVESTMENTS

	Investment in Howarth (former associate) £000	Option £000	Investment in joint venture £000	Total £000
Cost or fair value				
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)
At 30 June 2013	—	1,363	243	1,606
Share of profit after tax	—	—	613	613
Distributions from joint ventures	—	—	(856)	(856)
Fair value adjustment	—	(822)		(822)
Movement during the year to 30 June 2014	—	(822)	(243)	(1,065)
Net book value				
At 30 June 2014	—	541	—	541
At 30 June 2013	—	1,363	243	1,606

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 could 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 for a total 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 2014, which resulted in a fair value loss of £822,000 (2013: gain of £49,000) that has been recognised in the Group Income Statement, resulting in the option being valued at £659,000 below the actual consideration paid for the option. The fair value of the option has decreased as the profits are being realised and are available for distribution to the shareholder of DGVL. An explanation of the fair value is included in note 27.

The Group's joint venture in Croxley Green, Hertfordshire has now come to an end. The Group's 50% share of the profits after tax for the period to 30 June 2014 amounts to £613,000 (2013: £676,000) that has been recognised in the Group Income Statement.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

13. INVESTMENTS CONTINUED

At 30 June 2014 the Company, directly or indirectly, 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 Limited	England & Wales	Real estate investment	100%	Ordinary
Inland Housing Limited	England & Wales	Real estate development	100%	Ordinary
Inland Finance Limited	England & Wales	Real estate investment	100%	Ordinary
Inland (Southern) 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
Exeter Road (Bournemouth) Limited	England & Wales	Real estate development	100%	Ordinary
Inland Homes 2013 Limited	England & Wales	Holding company	100%	Ordinary
Inland ZDP plc	England & Wales	Provision of finance	100%	Ordinary

14. DEFERRED TAX

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

	£000
At 1 July 2013	3,414
Income statement charge	(647)
At 30 June 2014	**2,767**

The movement in deferred tax assets is as follows:

	Losses £000	Other £000	Total £000
At 1 July 2013	2,636	778	3,414
Charged to income statement	(419)	(228)	(647)
At 30 June 2014	**2,217**	**550**	**2,767**

Deferred tax to be recovered after 12 months:

	2014 £000	2013 £000
Deferred tax asset on capital losses	**3,395**	4,075
Deferred tax liability on the gain on investment property	**(1,302)**	(1,563)
	2,093	2,512

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 (2013: £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.

15. INVENTORIES

	2014 £000	2013 £000
Stock and work in progress	**90,275**	44,736

During the year a total of £24,126,000 (2013: £23,431,000) of inventories was included in the Group Income Statement as an expense. The Group conducted a review of the net realisable value of its land bank in view of current market conditions. Where the estimated future net realisable value of the site is less than the carrying value within the Group Statement of Financial Position, the Group has impaired the land value. This has resulted in an impairment of £nil (2013: £1.5 million). Included in the value of inventories above is £13.6 million (2013: £18.2 million) which is carried at fair value less costs to sell (net realisable value). The amount of inventories pledged as security against borrowings is £61.1 million (2013: £29.5 million).

16. TRADE AND OTHER RECEIVABLES

	2014 £000	2013 £000
Prepayments and accrued income	**751**	870
Other receivables	**13,232**	14,215
Other receivables due in more than one year	**55**	55
	14,038	15,140

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 £10.5 million (2013: £13.7 million) accrued in respect of costs and sales invoices that will be reimbursed by DGVL when they have the funds to do so. 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.

17. LOAN TO HOWARTH (FORMER ASSOCIATE)

	2014 £000	2013 £000
Advances to Howarth (former associate)	**—**	1,000

The loan was repaid in full during the year.

18. LISTED INVESTMENTS HELD FOR TRADING

	£000
At 1 July 2013	1
Movements during the year	—
At 30 June 2014	**1**

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

19. CASH AND CASH EQUIVALENTS

	2014 £000	2013 £000
Cash at bank and in hand	**11,169**	12,154

20. SHARE CAPITAL

	2014 £000	2013 £000
Authorised		
239,990,000 (2013: 239,990,000) ordinary shares of 10p each	**23,999**	23,999
1,000 (2013: 1,000) redeemable shares of £1 each	**—**	1
	23,999	24,000

	2014 £000	2013 £000
Allotted, issued and fully paid		
202,799,432 (2013: 201,299,432) ordinary shares of 10p each	**20,280**	20,130
980 (2013: 980) redeemable shares of £1 each	**—**	1
180 (2013: 180) deferred shares of 10p each	**—**	—
	20,280	20,131

The Company currently holds none (2013: 1,325,000) of its own shares in treasury. During the year 1,325,000 ordinary shares held as treasury shares were sold on the open market at a price of 44 pence per ordinary share. The excess over the price originally paid for the shares has been credited to share premium.

During the year ended 30 June 2014 1,500,000 shares were issued as a result of Stephen Wicks exercising share options at a cash consideration of 18.25p per share, generating a premium of 8.25p per share.

The Company operates a long term incentive plan as part of the remuneration packages of the Executive Directors. During the year the 2007 Plan was cancelled and replaced with the 2013 Plan. The redeemable and deferred shares were redesignated as 9,800 valueless deferred shares of 10 pence each. Further information can be found in the Directors' Remuneration Report on pages 56 to 61.

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

	Share options 2012/13 grant	Share options 2011/12 grant	Share options 2010/11 grant	Share options 2009/10 grant	Growth shares
Expected life of options based on options exercised to date	3 years	3 years	3 years	3 years	6 years
Volatility of share price	67%	67%	76%	69%	40%
Dividend yield	0%	0%	0%	0%	0.6%
Risk free interest rate	2.05%	2.05%	2.05%	2.11%	1.96%
Share price at date of grant	32.5p	17.5p	18.25p	16.5p	45.0p
Exercise price	32.5p	17.5p	18.25p	16.5p	45.0p
Fair value per option	£0.14	£0.05	£0.09	£0.05	£0.17

The charge calculated for the year ended 30 June 2014 is £171,000 with a corresponding deferred tax asset at that date of £34,000.

20. SHARE CAPITAL CONTINUED

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 2014 is shown below:

	Number 000s	Exercise price pence
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	
Exercised during the year	(1,500)	18.25p
Outstanding at 30 June 2014	**3,670**	
Exercisable at 30 June 2014	**2,815**	
Exercisable at 30 June 2013	1,315	

At 30 June 2014 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	1,500,000	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

21. MOVEMENT ON RESERVES

	Share premium £000	Treasury shares £000	Special reserve £000	Profit and loss account £000
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)
Profit for the year	—	—	—	5,806
Ordinary shares issued during the year	124	—	—	—
Dividends paid to ordinary shareholders	—	—	—	(540)
Cancellation of deferred shares	—	—	—	1
Sale of treasury shares	214	366	—	—
Share-based compensation	—	—	—	171
At 30 June 2014	**34,033**	**—**	**6,059**	**3,649**

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

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

22. TRADE AND OTHER PAYABLES

	2014 £000	2013 £000
Trade payables	**5,970**	2,131
Other creditors	**2,995**	745
Social security, other taxes and VAT	**53**	47
Corporation tax	**2,808**	625
Accruals and deferred income	**1,479**	636
	13,305	4,184

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

23. OTHER FINANCIAL LIABILITIES

	2014 £000	2013 £000
Purchase consideration on inventories falling due within one year	**9,324**	7,947
Zero Dividend Preference shares	**11,552**	9,721
	20,876	17,668

During the year the Group's subsidiary, Inland ZDP plc issued 934,900 Zero Dividend Preference (ZDP) shares of 10p each for a total cash consideration of £1.1 million. The ZDP shares will be repaid on or before 10 April 2019. An explanation of the fair value of the ZDP shares is included in note 27.

24. CONTINGENCIES

The Group has the following contingent liability as at 30 June 2014:

A subsidiary undertaking, Poole Investments Limited (formerly Poole Investments plc) ("Poole"), 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 has been sought 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.

25. 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:

	2014 £000	2013 £000
Due in less than one year	**8**	72
Due later than one year and not later than five years	**10**	10
	18	82

The break clause in the rental contract for the office building rented since 28 April 2009 at 2 Anglo Office Park, 67 White Lion Road, Amersham, HP7 9FB was exercised in August 2014. A new rental contract was entered into for the new registered office at Decimal Place, Chiltern Avenue, Amersham, HP6 5FG on 10 July 2014. This contract has a non-cancellable term of five years with an annual rent of £127,000.

26. 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; further details are given in Note 27 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.

	2014 £000	2013 £000
Equity	**64,021**	57,730
Less: cash and cash equivalents	**(11,169)**	(12,154)
Capital	**52,852**	45,576

	2014 £000	2013 £000
Equity	**64,021**	57,730
Borrowings	**39,975**	16,044
Overall financing	**103,996**	73,774
Capital to overall financing	**50.8%**	61.8%

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

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

27. FINANCIAL ASSETS AND LIABILITIES

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

	Note	2014 £000	2013 £000
Financial assets			
Listed investments held for trading	18	**1**	1
Loans and receivables			
Loan to Howarth (former associate)	17	**—**	1,000
Trade and other receivables	16	**13,287**	14,270
Cash and cash equivalents	19	**11,169**	12,154
		24,456	27,424
Financial liabilities			
Financial liabilities measured at amortised cost:			
— current borrowings		**28,423**	6,323
— trade and other payables	22	**9,018**	2,923
— Zero Dividend Preference shares	23	**11,552**	9,721
— other financial liabilities	23	**9,324**	7,947
		58,317	26,914

The fair values are presented in the related notes.

Current borrowings consist of housebuilding loan facilities of £41.8 million, of which £26.4 million (2013: £5.5 million) is drawn down, and further loans of £2 million secured against land (2013: £0.8 million). The loans attract interest at varying rates.

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

	2014			2013		
	Trade and other payables £000	**Zero Dividend Preference shares £000**	**Purchase consideration £000**	Trade and other payables £000	Zero Dividend Preference shares £000	Purchase consideration £000
Less than one year	**37,388**	**—**	**9,324**	9,199	—	8,004
More than one year and less than five	**—**	**11,552**	**—**	—	—	—
Over five years	**—**	**—**	**—**	—	9,721	—
	37,388	**11,552**	**9,324**	9,199	9,721	8,004

The following tables present 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.

27. FINANCIAL ASSETS AND LIABILITIES CONTINUED

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:

Assets	Note	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Net fair value at 1 July 2013	27(a) & (b)	1	—	11,000	11,001
Fair value movements during the year		—	—	(822)	(822)
Net fair value at 30 June 2014		**1**	**—**	**10,178**	**10,179**

Liabilities	Note	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Net fair value at 1 July 2013	27(a)	10,262	—	—	10,262
Additions		1,108	—	—	1,108
Fair value movements during the year		1,383	—	—	1,383
Net fair value at 30 June 2014		**12,753**	**—**	**—**	**12,753**

(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. The ZDP shares are carried at their accrued value of 111.34p per share (2013: 103.78p) however their closing price on the main market of the London Stock Exchange on 30 June 2014 was 124.00p (2013: 109.75p). During the year 934,900 shares were issued at a price of 118.5p per share.

(b) Assets not based on observable market data

The option to purchase the share of Drayton Garden Village Limited is measured at fair value annually and a fair value loss was recognised during the year. The investment property is stated at cost and reviewed annually for impairment. The current carrying value is £7.68 million. 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 £9.64 million. The method used involved the calculation of the gross development value of the site (using the comparable method) based on the planning permission in place and the resulting residual land value. The key assumptions relate to property prices, construction prices and the extent of any remediation required with a profit margin of 17% of gross development value. The Directors consider this to be a reasonable approximation of fair value.

28. RELATED PARTY TRANSACTIONS

During the year ended 30 June 2010 the Group entered into a joint venture with Howarth Homes plc for the development of 51 units at a site in Croxley Green, Hertfordshire. The Group's 50% share of the profits after tax for the period to 30 June 2014 amounts to £613,000 (2013: £676,000) that has been recognised in the Group Income Statement. No further profits will be received from this joint venture and Inland's involvement has come to an end.

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

	2014 £000	2013 £000
Net assets	**—**	373
Net result	**613**	676

29. COMPANY INFORMATION

The Company is a public limited company registered in England and Wales. The registered office and principal place of business is Decimal Place, Chiltern Avenue, Amersham, Buckinghamshire, HP6 5FG.

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 2014 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 66, 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 2014;
- 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 Strategic Report and 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 2014.

Grant Thornton UK LLP

Nicholas Watson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Reading
15 October 2014

COMPANY BALANCE SHEET AT 30 JUNE 2014

	Note	2014 £000	2013 £000
Fixed assets			
Investments	4	**12,472**	12,472
		12,472	12,472
Current assets			
Debtors	5	**37,588**	36,385
Listed investments		**1**	1
Deferred tax		**280**	246
Cash at bank and in hand		**10,473**	12,169
		48,342	48,801
Creditors: amounts falling due within one year	6	**(350)**	(210)
Net current assets		**47,992**	48,591
Total assets less liabilities		**60,464**	61,063
Capital and reserves			
Called up share capital	7	**20,280**	20,131
Share premium	8	**34,033**	33,695
Treasury shares	8	**—**	(366)
Special reserve	8	**6,059**	6,059
Profit and loss account	8	**92**	1,544
Shareholders' funds		**60,464**	61,063

The financial statements on pages 103 to 107 were approved and authorised for issue by the Board of Directors on 15 October 2014 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

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 loss for the year of £1.1 million (2013: profit of £1.4 million) has been transferred to reserves.

Auditor's remuneration

The audit fees for the Company were £5,000 (2013: £5,000). The auditor's remuneration for other services is disclosed in Note 6 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 7 to the Group financial statements and the Directors' Remuneration Report.

4. INVESTMENTS

	Investment in Group undertakings £000	Total £000
Cost		
At 1 July 2013	12,472	12,472
At 30 June 2014	12,472	12,472
Amortisation		
At 1 July 2013	—	—
At 30 June 2014	—	—
Net book amount to 30 June 2014	**12,472**	**12,472**
Net book amount to 30 June 2013	12,472	12,472

See Note 13 of the Group financial statements for details on the Group undertakings.

5. DEBTORS

	2014 £000	2013 £000
Amounts owed by Group undertakings	**37,182**	34,923
Loan to Howarth (former associate)	**—**	1,000
Other debtors	**406**	462
	37,588	36,385

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £000	2013 £000
Trade creditors	**159**	65
Accruals and other creditors	**191**	145
	350	210

7. SHARE CAPITAL

	2014 £000	2013 £000
Authorised		
239,990,000 (2013: 239,990,000) ordinary shares of 10p each	**23,999**	23,999
1,000 (2013: 1,000) redeemable shares of £1 each	**—**	1
	23,999	24,000

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

7. SHARE CAPITAL CONTINUED

	2014 £000	2013 £000
Allotted, issued and fully paid		
202,799,432 (2013: 201,299,432) ordinary shares of 10p each	**20,280**	20,130
980 (2013: 980) redeemable shares of £1 each	**—**	1
180 (2013: 180) deferred shares of 10p each	**—**	—
	20,280	20,131

The Company currently holds none (2013: 1,325,000) of its own shares in treasury. During the year 1,325,000 ordinary shares held as treasury shares were sold on the open market at a price of 44 pence per ordinary share. The excess over the price originally paid for the shares has been credited to share premium.

During the year ended 30 June 2014 1,500,000 shares were issued as a result of Stephen Wicks exercising share options at a cash consideration of 18.25p per share, generating a premium of 8.25p per share.

The Company operates a long term incentive plan as part of the remuneration packages of the Executive Directors. During the year the 2007 Plan was cancelled and replaced with the 2013 Plan. The redeemable and deferred shares were redesignated as 9,800 valueless deferred shares of 10 pence each. Further information can be found in the Directors' Remuneration Report on pages 56 to 61.

Details of the Company's share option schemes can be found in Note 20 to the Group accounts.

8. RESERVES

	Share premium £000	Treasury shares £000	Special reserve £000	Profit and loss account £000
At 30 June 2013	33,695	(366)	6,059	1,544
Loss for the year	—	—	—	(1,084)
Dividends paid to ordinary shareholders	—	—	—	(540)
Issue of shares	124	—	—	—
Cancellation of deferred shares	—	—	—	1
Sale of treasury shares	214	366	—	—
Employee share-based compensation	—	—	—	171
At 30 June 2014	**34,033**	**—**	**6,059**	**92**

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 2014 or 30 June 2013. On 10 July 2014 the Company entered into a five year non-cancellable rental contract for its new registered office at Decimal Place, Chiltern Avenue, Amersham, Buckinghamshire, HP6 5FG.

10. CONTINGENT LIABILITIES

The Company has the following contingent liabilities as at 30 June 2014:

a. Inland Homes plc has guaranteed the obligations of 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.

d. Inland Homes plc has guaranteed the build performance obligations of Inland Limited on a contract with a housing association.

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

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2014 £000	2013 £000
(Loss)/profit for the year	**(1,084)**	1,392
Issue of shares	**274**	4,731
Payment of dividend to ordinary shareholders	**(540)**	(122)
Sale of treasury shares	**580**	—
Share-based compensation	**171**	62
Net (decrease)/increase in shareholders' funds	**(599)**	6,063
Opening shareholders' funds	**61,063**	55,000
Closing shareholders' funds	**60,464**	61,063

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.

SHAREHOLDER NOTES

ADVISERS AND COMPANY INFORMATION

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5482990

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