CREATIVE THINKING IN BROWNFIELD DEVELOPMENT

Annual Report and Accounts for the year ended 30 June 2017
Stock Code: INL

Inland homes

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.

Why Invest in Inland Homes plc

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

- Unlocking Potential
- Creating Communities
- Delivering Value

Signposting icons

Read more content within the report

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

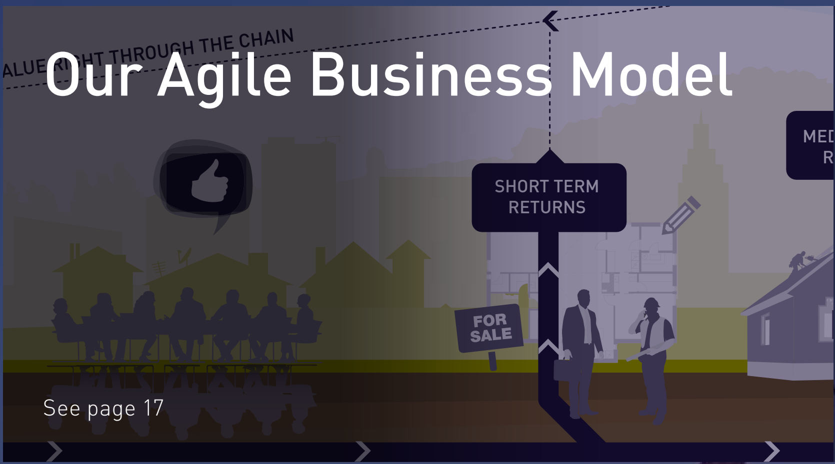
Front cover: Artist's impression of Cheshunt Lakeside, Cheshunt, Hertfordshire

Investor website

We maintain a corporate website at www.inlandhomesplc.com containing a wide range of information of interest to institutional and private investors including:

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

Our Agile Business Model



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Who We Are

Inland Homes is an established land regeneration business, focused on developing sites in the south and south east of 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 maximising the potential of the final development.

Our versatile structure, 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 provides healthy returns. Once secured, our knowledge of and relationships with local authorities, and the wealth of experience in our land and planning teams, means that we are able to secure valuable 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.

At Inland, sustainability is at the heart of everything we do. Ensuring sustainable operations and developments is of paramount importance, and our commitment to this ensures that we can continue as a successful business.

See page 40 for more on Sustainability


Berryfields, Tiptree, Essex

Land Portfolio

The land portfolio currently consists of 6,936 plots with the vast majority in the South and South East of England. The size of the sites ranges from under 50 plots to over 1,350 plots.

Inland is continuing to focus on acquiring a mix of brownfield sites, as well as strategic land, which is essentially greenfield land acquired with the knowledge that it could lead to a development opportunity at a later date.

The strategic land we currently have in our land bank typically has a 2–5 year timeline for planning permission and has the potential for approximately 2,270 residential plots across 408 acres. As a business, Inland is moving into a much larger average site size.

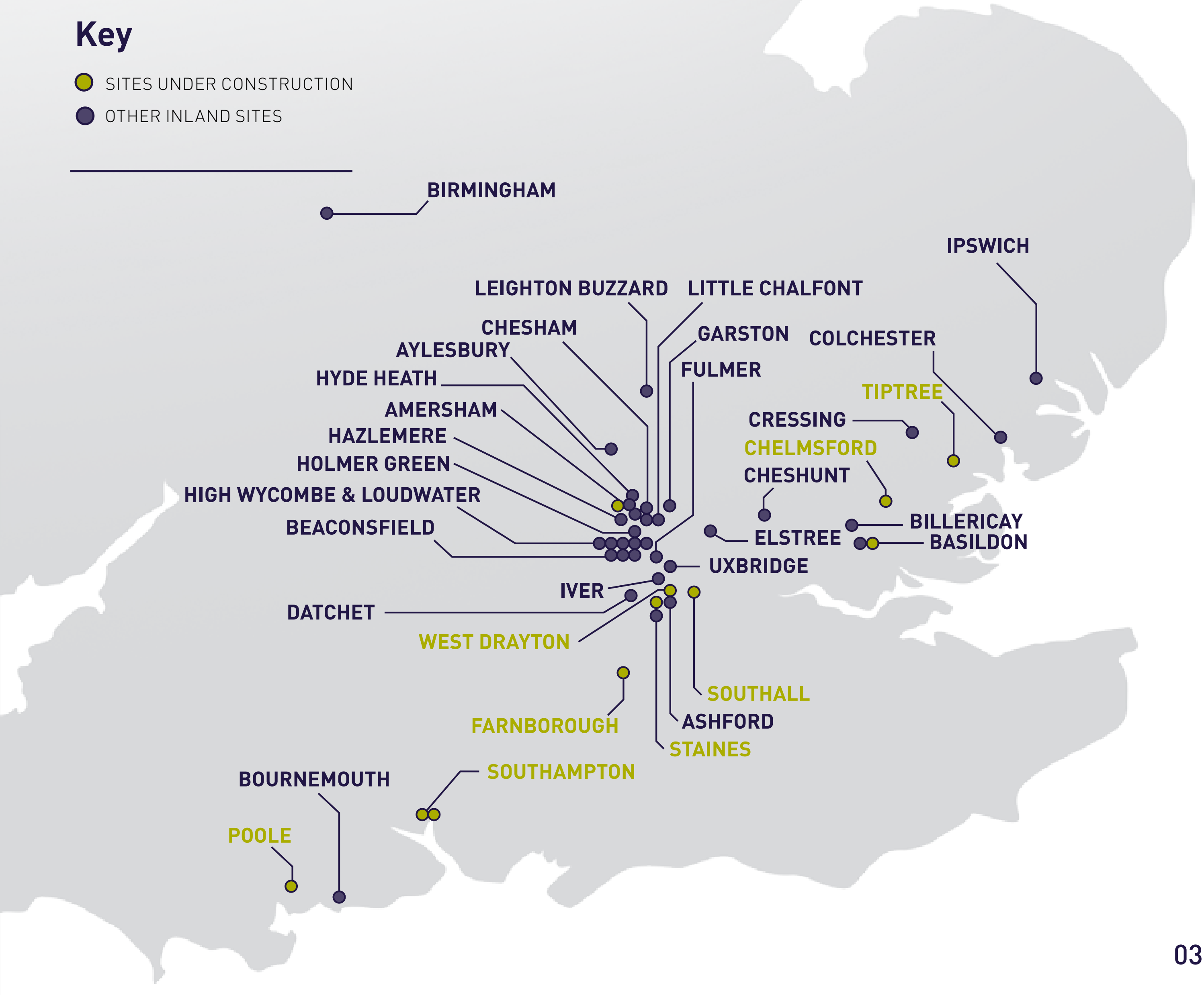
We are also increasing the number of plots that we have within larger regeneration schemes. Whilst we have been involved in these projects for a little while now, we are looking to expand in this area to maximise the opportunities and value available.

Alongside this, we are pushing to enhance the number of collaborative joint ventures with institutional landowners. Institutions such as the MOD, NHS and Local Authorities often have surplus land but not the skill set or commercial drivers that Inland Homes has.

Whilst our core focus has always been, and will continue to be, acquiring and developing brownfield sites, we are establishing ourselves as a respected housebuilder in our own right. This allows us to take more control of our sites and ensure a higher build quality whilst maximising value generated for Inland.

Key

- SITES UNDER CONSTRUCTION
- OTHER INLAND SITES



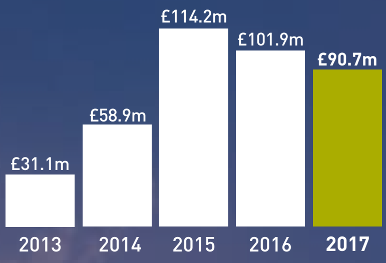
Our Highlights

Financial Highlights

Revenue

£90.7m

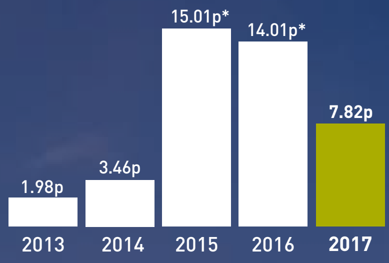
2016: £101.9m



Basic earnings per share

7.82p

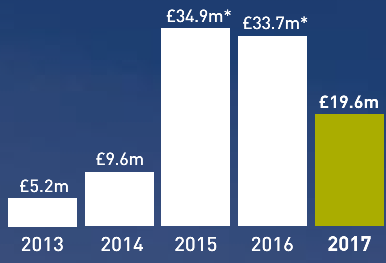
2016 restated*: 14.01p



Profit before tax

£19.6m

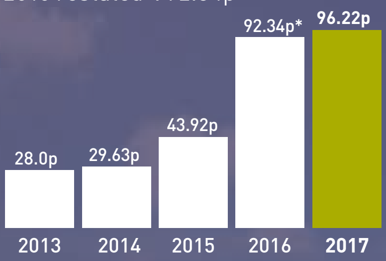
2016 restated*: £33.7m



Adjusted EPRA net asset value per share

96.22p

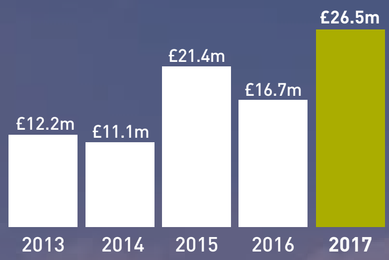
2016 restated*: 92.34p



Year end cash balances

£26.5m

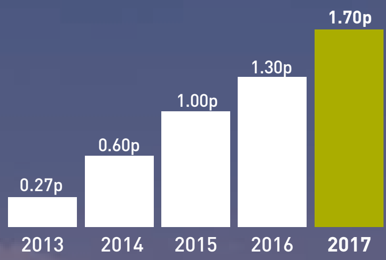
2016: £16.7m



Dividend per share

1.70p

2016: 1.30p



- Revenue of £90.7 million (2016: £101.9m) which excludes £27 million of land sales revenue where the transactions have been shown as a gain on sale of subsidiary or joint venture
- Following the adoption of EPRA performance measures to fully reflect unrealised value within the Group's land bank, the pre-tax EPRA net asset value is:

	30 June 2017	30 June 2016 restated
EPRA NAV	**91.88p**	88.22p
Adjusted EPRA NAV	**96.22p**	92.34p

- 12.2% increase in net asset value to £130.6 million
- Cash balances of £26.5 million (2016: £16.7 million) and net debt of £68.0 million (2016: £54.6 million), reflecting increased land holdings and work in progress

- Profit before tax and before revaluation of investment properties increased 15.3% to £18.1 million (2016 restated*: £15.7 million)
- 100% of borrowings now due after more than one year and 53.5% due in more than three years
- 33% increase in proposed final dividend to 1.2p per share reflecting robust underlying performance and confidence in outlook

* Further information can be found in note 29 to the accounts

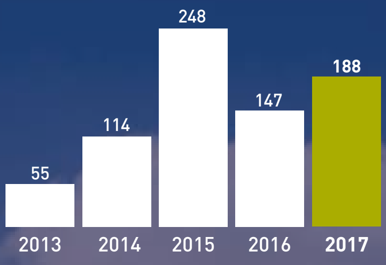
Our Highlights

Operational Highlights

Private housing units sold

188

2016: 147

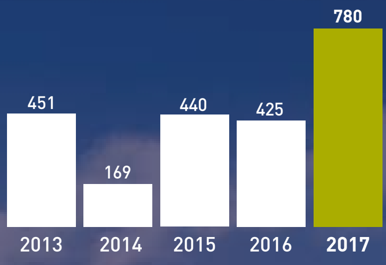


Land plots sold

(including those within disposal of joint venture and subsidiary)

780

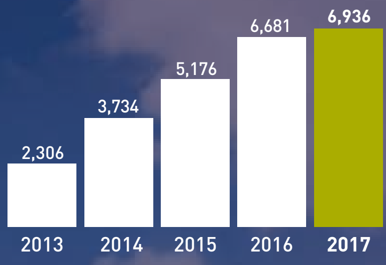
2016: 425



Land bank plots

6,936

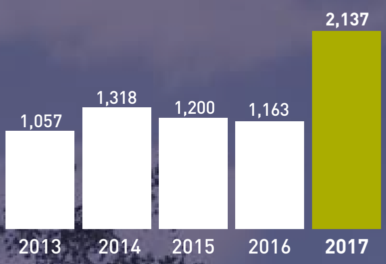
2016: 6,681



Plots with planning permission & resolution to grant planning consent

2,137

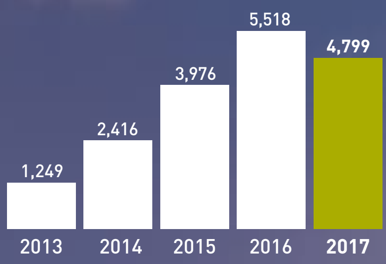
2016: 1,163



Plots without planning permission

4,799

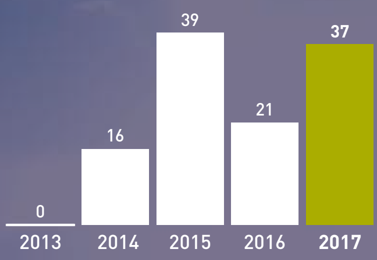
2016: 5,518



Construction contract equivalent units

37

2016: 21



- Expansion of land bank to 6,936 plots (2016: 6,681), including 20 sites under option providing control over 408 acres of strategic land with the potential for over 2,200 residential plots
- 188 private homes sold at an average price of £306,000 (2016: £337,000), with 427 currently under construction (including 43 within a joint venture)
- Planning permission or resolution to grant planning permission gained on 1,856 plots (2016: 1,096) during the year
- Forward sales remain strong, currently totalling £33.0 million (including £5.4 million within joint ventures) (2016: £22.5 million) including the 36 units exchanged at the successful launch of Centre Square at Lily's Walk in High Wycombe
- Disposal of 780 plots across 10 sites during the year, for a total consideration of £49.3 million (2016: £43.3 million) including land sold via disposals of subsidiary and joint venture
- 3 major construction contract projects in contract for 219 units and £41.5 million turnover

Chairman's Statement

"Our confidence in delivering significant further growth for our shareholders is underpinned by the considerable shortage of new homes in the area and price point we operate in, as well as the quality of our land assets."

Terry Roydon, Non-executive Chairman

Performance

Inland Homes has delivered another solid performance this year, on top of the significant investment that has been made into building the strength and expertise of our team, which has almost doubled in terms of headcount. We have recruited a considerable number of highly experienced individuals to create the right structure to support the future growth of the Company; in particular we have made further key appointments to the construction team as we move away from reliance on main contractors and develop this part of the business as an additional revenue stream.

The Group achieved a profit before tax and before revaluation of investment properties of £18.1 million (2016 restated*: £15.7 million) and a 4.3% increase in EPRA net asset value of £194.4 million (2016 restated*: £186.3 million). Including revaluation of investment properties, the profit before tax was £19.6 million (2016 restated*: £33.7 million). This is lower than last year because of a revaluation uplift of £18.0 million in the previous year at Wilton Park, Beaconsfield, Buckinghamshire. We continue to make significant progress at our flagship site of over 100 acres at Wilton Park where a new information centre has now been completed. I am delighted to be able to report that an outline planning application has now been submitted for 350 homes and commercial space on this prestigious site. The site is producing gross annual rental income of £1.5 million and is a good example of how we sweat our assets and ensure that we maximise every income opportunity from our land bank. In line with International Accounting Standard 23, which requires that the cost of borrowings attributable to an asset like Wilton Park, which must, by virtue of the complicated planning process and substantial time taken to get ready for its intended use, be capitalised with the other costs relating to the project. Accordingly, we have capitalised the relevant borrowing costs in relation to Wilton Park and have included current year funding costs of £1.09 million within inventories (2016 restated*: £0.85 million) in the Group's balance sheet.

* Further information can be found in note 29 to the accounts

EPRA net asset value

£194.4 million

(2016 restated*: £186.3 million)

Net current assets

£159.9 million

(2016 restated*: £96.7 million)

Artist's impression of the Fairway Collection, St John's, Chelmsford, Essex

The maturity of Inland's borrowings has also been lengthened with 100% of total borrowings being payable after one year, of which 53.5% are repayable between three and five years. This has resulted in a significantly stronger maturity profile for the Group balance sheet with net current assets increasing to £159.9 million (2016 restated*: £96.7 million). The EPRA net asset value per share and the adjusted EPRA net asset value per share at 30 June 2017 was 91.88p (2016 restated*: 88.22p) and 96.22p (2016 restated*: 92.34p) respectively and has been determined as follows:

	EPRA	Adjusted EPRA**
Shares in issue (000)	202,027	202,027
Dilutive effect of options (000)	1,912	–
Dilutive effect of deferred bonus shares (000)	1,627	–
Dilutive effect of growth shares (000)	6,000	–
	211,566	**202,027**

** EPRA NAV adjusted to exclude the dilutive effect of the options, deferred bonus shares and Growth Shares.

	£000	Pence per share	£000	Pence per share
Current net asset value	130,551	61.72	130,551	64.62
Unrealised value within projects	60,500	28.60	60,500	29.95
Reverse deferred tax liability on investment property	3,345	1.58	3,345	1.66
EPRA net asset value	**194,396**	**91.88**	**194,396**	**96.22**
Deferred tax on uplift at 19%		(5.43)		(5.96)
EPRA net asset value after deferred tax		**86.45**		**90.53**

During the year, the Group sold 188 private units (2016: 147 units) at an average price of £306,000 (2016: £337,000). Whilst the average sales price is lower than the previous year, this reflects the mix of units sold during the year in what remains an attractive price point within the geographic areas in which we operate. This is endorsed by a current forward order book of £33 million (including forward sales within joint ventures) (2016: £22.5 million). We have a record number of 427 units under construction (including 43 within a joint venture) and are expecting this pipeline to increase over the next financial year as we develop more of our sites that come through the planning process. Our enhanced construction capability has enabled the Group to provide 'turnkey' delivery of homes to Housing Associations, usually where the land has been purchased from Inland Homes. This allows us to secure a further profit beyond the land sale together with the benefits of positive cash flows from the construction revenues. We have £41.5 million of such contracts in place with three Housing Associations and this is an area of the business where we see good growth potential.

Chairman's Statement

Continued

Artist's impression of the new Wessex Hotel development, Bournemouth, Dorset

Land Portfolio

The land bank has increased over the previous year end following the disposal of 780 plots and 188 open market units. Our planning team has been extremely busy, having secured planning permissions for 1,856 plots during the financial year and a further 59 plots since the year end. A number of major sites within the land bank are proceeding through the planning process and I look forward to providing shareholders with positive news on these over the current financial year.

Our strategic land bank continues to grow, with options secured on sites with the potential for over 2,200 homes. Importantly, a number of these sites are now allocated into local plans and planning applications are being submitted.

Dividend

In line with the Group's strong performance and our progressive dividend policy, as well as our confidence in the outlook for the Company, I am pleased to inform shareholders that the Board is proposing a 33% increase in the final dividend to 1.2p per share (2016: 0.9p) subject to shareholder approval at the next Annual General Meeting to be held on 28 November 2017. Taking into account the interim dividend of 0.5p per share (2016: 0.4p) already declared and paid, this equates to total dividends of 1.7p per share (2016: 1.3p), a 31% increase.

Outlook

The housing market continues to be robust in the areas in which we operate and is underpinned by good demand from buyers and support from the Government's Help to Buy scheme.

More moderate house price inflation should help maintain affordability in the near term and stabilising build cost inflation should underpin our margins as the benefits of our new direct build model start to filter through.

The planning system remains extremely slow and cumbersome with clearance of pre-start planning conditions being a major issue. Further, as widely reported by the rest of the housebuilding industry the ongoing shortage of skilled labour continues to be an area of concern.

Notwithstanding the above, the Board is confident that Inland Homes is well positioned to deliver strong operational and financial performance going forward.

Terry Roydon
Non-Executive Chairman
27 September 2017

Artist's impression of future phase of Carter's Quay, Poole, Dorset

Strategic Report

Artist's impression of Cheshunt Lakeside, Cheshunt, Hertfordshire

Contents

Our Marketplace

Key factors affecting the marketplace

Growth in construction costs

UK economic/ macroeconomic conditions

Demand for housing

Competitive landscape

Inland Homes has positioned itself typically at the first and second time buyer end of the housing market where demand is very strong and has been largely unaffected by recent changes in Stamp Duty Land Tax.

Our land bank is predominantly in the South and South East of England where demand for housing is the strongest. We promote substantial sites through the planning process and obtain planning consents that would suit housebuilders to commence on site shortly after acquiring it.

The demand for housing in our place of operation significantly outstrips supply and has resulted in house price inflation, although this has now slowed.

Key differentiators of Inland Homes

Inland Homes has a large and growing land bank of 6,936 plots, of which 2,137 have planning consent or a resolution to grant planning consent. The land is predominantly in the South and South East of England where there is continued strong demand from private housebuilders and Registered Providers of affordable homes.

Inland Homes has a clear and agile business model giving us the flexibility to realise value in the land bank through consented plot sales, sales to Registered Providers, housebuilding or rental income from investment property.

Our highly experienced management and specialist development teams have worked together for a long time, enabling the successful identification, securing of suitable land and maximising each project's potential. Our planning team, which has over 85 years combined experience, has a long track record of securing planning permissions across all our sites.

Drayton Garden Village, West Drayton, Middlesex

Meridian, Southampton, Hampshire

Venture House, Staines, Middlesex

Castle House, High Wycombe, Buckinghamshire

Growth in construction costs

The BCIS Private Housing Construction Price Index has shown that housebuilders have seen cost increases of 5% in the year to March 2017 with materials costs rising due to the devaluation of Sterling and labour costs rising due to an acute skill shortage.

The shortage of skilled labour is widely acknowledged as the greatest constraint to increasing the UK housing supply other than the planning system and financial constraints, with 55% of the industry feeling the pressure. A recent survey for CIBSE by Hays showed that construction wages rose by 3.5% in 2016, well ahead of the 1.8% UK average, although this represents a slow down from the 5% -6% seen in 2015. RICS are reporting that the shortage of bricklayers and quantity surveyors is particularly acute with plumbers and electricians not far behind.

Implications for Inland Homes

- Rising costs in relation to materials will impact on housebuilding profit margins and we have begun to buy materials directly from suppliers rather than via main contractors in order to ensure we are obtaining the best value as well as derive further savings by becoming a bulk purchaser.
- The skills shortage and resulting wage increases will also impact on the Group's profit and we have therefore invested in our own housebuilding expertise as part of a deliberate strategy aimed at addressing the growth in construction costs as well as being part of an expansion programme.

UK economic/ macroeconomic conditions

Over the past 5 years the UK economy has steadily improved:

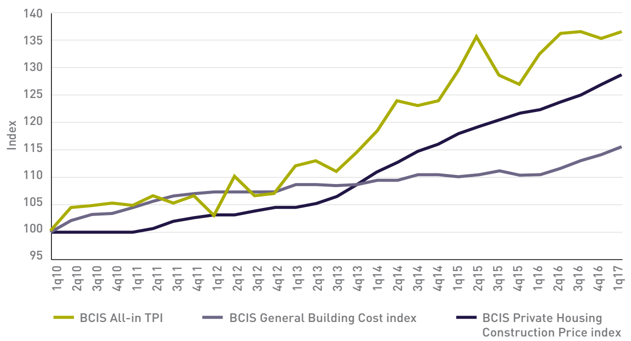
- We have seen a significant population growth
- Unemployment rates have dropped to 4.3% – the lowest since 1975
- Interest rates and inflation have remained very low
- House prices have continued to rise, albeit they have levelled off over the last year

However, the uncertainty over Brexit and the fall of sterling are causing growth to slow down, with the Bank of England slightly reducing its growth forecast for 2018 and indicating that interest rates could increase sooner than previously anticipated. Inflation rose sharply during the first half of 2017 and wage growth has been sluggish, squeezing household spending power.

Implications for Inland Homes

- Growing populations have an increased housing need which benefits both the Group's land trading and housebuilding operations as well as its residential lettings.
- Low unemployment combined with low interest rates allow more people to access the housing ladder, which again benefits the Group's entire business.
- House price increases directly affect the Group's housebuilding operations but also drives up the value of consented land and is a result of the lack of supply, demonstrating the longer term demand for new housing.

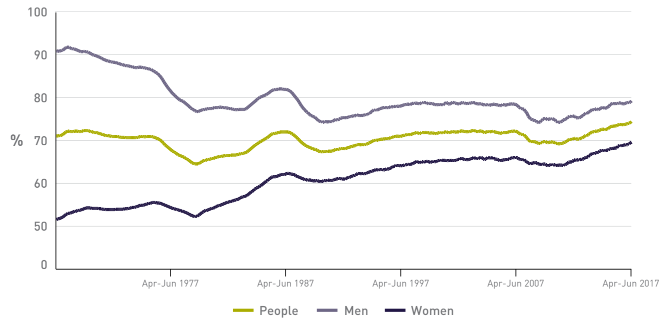
Growth in construction costs



Source: BCIS

UK employment rates (aged 16 to 64), seasonally adjusted

January to March 1971 to April to June 2017



Source: Labour Force Survey, Office for National Statistics

Our Marketplace

Continued

Demand for housing

There exists a structural imbalance in the housing market with excess demand over supply nationally and particularly in the South East. There is an estimated requirement of up to 275,000 homes per annum. Government policies may help to stabilise house price growth but it remains to be seen if they will increase supply significantly, leaving an expected shortfall of more than 100,000 homes per annum.

Government initiatives – Demand

- Help to Buy – facilitates deposits as low as 5% through an equity loan scheme and represents 44% of Inland's unit sales
- Help to Buy ISA – government contribution of up to 25% of monthly cash savings (up to £50 per month)
- Lifetime ISA – 25% government contribution to savings (up to £4,000)
- Restrictions on pension savings by higher earners – lifetime allowance cut from £1.25 million to £1 million so buy to let provides an alternative investment option despite an increase in buy to let levies
- Starter homes – imposed 20% discount for first time buyers in exchange for reduced requirement for affordable housing

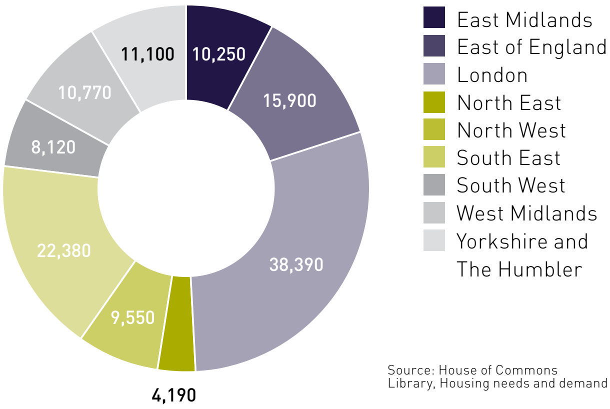
Supply

- Planning reform – focus on reducing the time planning applications spend with decision makers. A 'delivery test' is being introduced to ensure delivery of local homes within a reasonable timeframe.
- Permitted conversion of offices to residential – permanent extension of permitted development rights from April 2016.
- Relaxation of building constraints on green belt land – permitted allocation of appropriate small-scale sites in the green belt specifically for Starter Homes, designed for young families.
- Government to provide £5 billion to stimulate housebuilding projects – £2 billion to accelerate construction of homes on publicly owned land, £1 billion of short term loans to small housebuilders and £2 billion of long term funding for infrastructure to deliver up to 200,000 homes.
- Local Authority land release – unlocking large housing sites
- Government's Housing White Paper – plans for 'presumption that brownfield land is suitable for development', higher densities in urban locations with good transport links, better local plans, help for public sector landowners with remediation and infrastructure costs, larger Local Authority planning teams, removing unnecessary planning conditions, address skills shortage, reduce time taken for s106 and CIL agreements, encourage modern construction methods, Help to Buy to continue until at least 2021, £7bn affordable homes programme to build 225,000 affordable homes in this parliament.

Implications for Inland Homes

- This chronic undersupply underpins our sustainable business model for housebuilding, land trading and lettings operations.
- We ensure that we are aware of and in a position to take full advantage of Government initiatives which increase demand, such as Help to Buy.
- Similarly, we participate in initiatives to ease supply by purchasing office buildings to convert to residential; by taking part in the Government's consultation on planning reform and being in constant dialogue with Local Authorities to ensure we are considered when large parcels of land are to be released for housing – this strategy led to our involvement with Southampton City Council on our Chapel Riverside project.

UK Housing demand gap

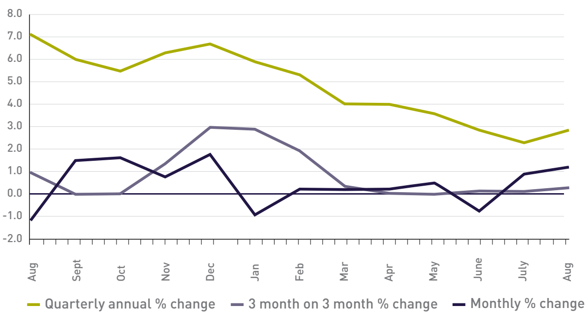


Source: House of Commons Library, Housing needs and demand

Net additional dwellings

Source: Office for National Statistics

House prices to 30 September 2017



Sources: Halifax House Price Index

Artist's impression of Carter's Quay, Poole, Dorset

Archaeology work at Chapel Riverside, Southampton, Hampshire

St John's, Chelmsford, Essex

Artist's impression of Chapel Riverside, Southampton, Hampshire

Our Agile Business Model

The strength in our Business Model lies in its agility. Our constant focus is to maintain a strong portfolio, but our decisions on how to proceed with a particular site, whether that be to continue to develop or to dispose of the land after obtaining planning permission, is something that we can reflect on by understanding the market conditions and our current requirements as a business.

	LAND ACTIVITIES	HOUSEBUILDING ACTIVITIES	CONSTRUCTION ACTIVITIES
Developing Land	**Land activity is the foundation of the Inland business model.** **Through identifying opportunities, selecting acquisitions, securing planning permission and purchasing strategic sites with future potential, Inland is able to expand its land portfolio.**	**In response to a changing marketplace, Inland Homes has been creating its own construction capabilities.** **By investing in our own people, we can ensure longer term, higher value returns for our shareholders.**	**We sell some of our sites to Housing Associations and institutional landlords, with a construction contract for Inland Homes.**
Adding Value	• Working with Local Authorities and communities to maximise the potential value of each site by securing a valuable planning permission.	• Allows us to capture the development margin in addition to the land uplift via planning. • Developing the sites with our own team provides us with additional control over quality, costs and delivery.	• The construction contract accelerates revenue and provides monthly cash flow which assists the Group's working capital or reduces our net borrowings.
Delivery to Customers	Developers: • Part or all of a site can be sold to developers: when selling part of a site to developers, they generally benefit from relevant infrastructure already having been installed by Inland Homes. • We generally ensure that potential barriers to development are resolved and that the planning permission is for the right housing mix and development size to maximise the potential value of the site.	Homeowners: • Part or all of the site can be developed by Inland Homes; we are proud of the developments we plan and design, and are always looking to create an environment that is attractive for future residents. Delivering on our commitment to quality and comfort, developed sites feature open spaces, play areas and attractive landscaping to suit the needs of a variety of people.	Housing Associations and institutional landlords: • Delivering high quality, reliable and attractive developments.

Our Agile Business Model

Our Value Chain

Our Value Chain outlines the various options available to Inland for generating value in the short, medium and long term.

In the short term we can generate value quickly through ensuring land obtains planning permission before being sold on, whilst medium-long term value can be made through the developing part, or all, of the site.

Identify Land

Our local insight and established relationships with vendors and public sector bodies mean that we are aware of opportunities to increase our land bank.

Acquire Land

Our financing resources and strong reputation as being trustworthy and reliable mean that we can act quickly to secure promising sites. Sites acquired can often deliver short term returns.

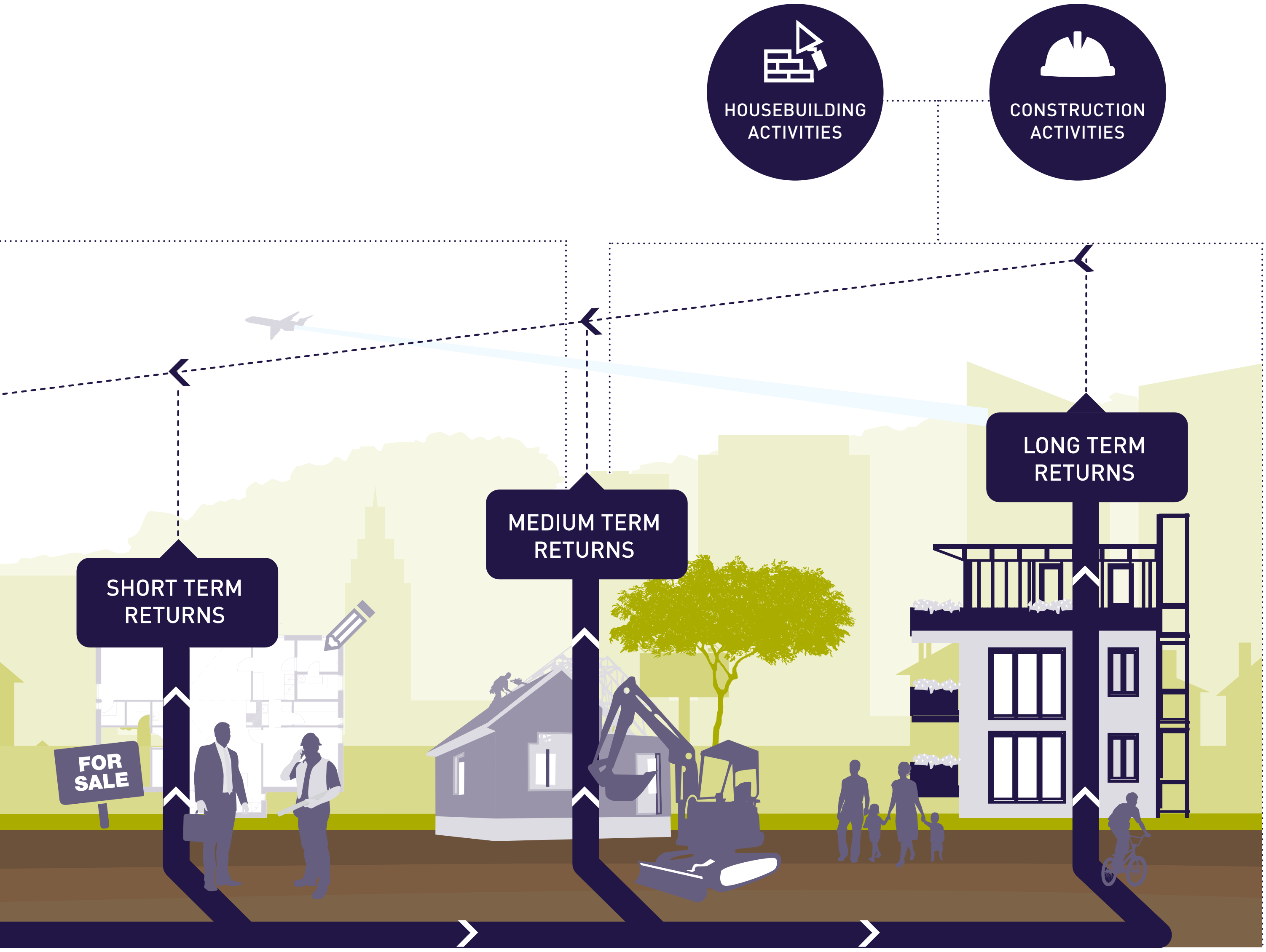
This revenue can be generated from a number of sources, such as sale of surplus assets, rent from tenants, car parking and the sites being utilised as filming locations.

Achieve Planning Permission

Once a site is acquired, extensive research and stakeholder consultations take place to prepare our applications for planning permission. Our record of achieving planning permissions on sites is second to none.

PARTNERSHIPS

Over the past year, we have increasingly entered into partnerships with Housing Associations as a way of delivering projects through the value chain.



Sell Land with Planning Permission to Developers

Once a planning consent is secured, we have the opportunity to sell the whole site with planning permission to developers or Housing Associations for a short term return.

Sell Part of the Site

By selling a portion of a site while carrying out infrastructure works and housebuilding on other parts, we deliver revenue in the medium term.

Develop the Whole Site

Building a whole development takes longer but maximises the revenue a site can deliver over the long term. We are now self-delivering the majority of our sites.

The partnerships involve Inland Homes acquiring land and successfully taking it through the planning process before selling it on to the Housing Association. The Housing Association then employs Inland Homes as the construction contractor to develop the site in accordance with the planning consent. This provides the Housing Associations with exactly the outcome they require in a cost effective, timely and efficient manner.

In contrast to a traditional self delivered site, these partnerships provide Inland Homes with earlier revenue, profit and cash flow that also reduces the Group's borrowing requirements.

Wilton Park,
Beaconsfield

Photo and historical information credit:
www.lostheritage.org.uk

Strategic Link

LAND ACTIVITIES

Wilton Park is the former Ministry of Defence School of Languages site in a prime location to the East of Beaconsfield, Buckinghamshire. Having made a strategic purchase of adjacent land in 2012 Inland Homes was acknowledged as a special purchaser for this 100-acre development site.

A significant factor in enabling the wider Wilton Park redevelopment to take place is the need for a relief road around Beaconsfield. Local action groups and the community have been seeking this key piece of infrastructure for 25 years and Inland Homes has been able to generate the necessary momentum for the delivery for this road and have now secured planning permission for the first tranche of the Beaconsfield relief road to be built on our site.

A planning application has recently been submitted for the wider redevelopment and prior to lodging this Inland Homes undertook a lengthy and extremely detailed consultation exercise to ensure that the requirements of numerous local stakeholders were met. Working closely with local residents, councillors, action groups and committee members, the planning application has sought to address the issues and concerns that have been raised which should greatly assist the planning process and timetable for an approval.

Savills have described the Wilton Park site as 'one of the finest development opportunities in Southern England' and is steeped in history. Prior to 1968 the site had housed a three story Georgian Palladian Mansion constructed in 1779 as a substantial family home, however the role of the mansion changed, having been requisitioned by the War Office during World War II.

From 1939 Wilton Park became an open political prison with over 4,000 ex-German soldiers spending time there as part of a process to rehabilitate former Nazi Officers and discuss the ideals of establishing a democratic Germany.

Wilton Park then continued to be occupied by the army and latterly the Defence School of Languages when it was decided that a 16-storey tower block should be erected in place of the mansion house which was demolished in 1968.

Inland Homes has spent several years evolving the master plan for Wilton Park and the proposals include the demolition of the unsightly tower block which is regarded by many as a local eye sore and to rebuild the Georgian Palladian Mansion to house luxury apartments and townhouses in its original location. The re-establishment of this important historical building has proven very popular with local residents and we look forward to seeing this particular part of the development take place.

In total, this exemplar development will comprise 350 homes together with 23,000 sq ft of commercial and community buildings offering local retail convenience facilities, community space and Air Training Corps facility, a children's nursery and offices, the gross development value of which is expected to be approximately £350 million.

See page 31

Key Fact

Inland Homes' acute ability to strategically acquire land

Key Fact

Our relationship with tenants through working with, amongst others, the Air Training Corps

Key Fact

Working with the local community and action groups

Cheshunt, Hertfordshire

Strategic Link

BOUGHT SOLD
LAND ACTIVITIES

During the Summer of 2016, Inland formed a 50/50 joint venture in order to acquire the site of Tesco's former headquarters in Cheshunt, Hertfordshire. A draft allocation emerged from the Local Authority for the wider Cheshunt Lakeside area and the joint venture has managed to control additional land with an allocation for a further 400-500 homes.

Over the following 12 months, Inland Homes has agreed development principals with the council to masterplan the entire site for approximately 2,000 homes and 153,000 sq ft of commercial space along with a new primary school.

With a planning application expected to be submitted by the end of the calendar year, we are confident in securing an approval in 2018 with the intention of commencing the first phase of homes shortly thereafter. Whilst we currently control approximately 70% of the wider Cheshunt Lakeside area, the advantage of building the development in phases is that we can seek to acquire the areas of the site we do not own over the next few years.

This new urban village will be the biggest project that Inland Homes has ever delivered and we expect the project to last about 8 to 9 years. The site itself runs along the Crossrail 2 line, which allows us to fulfil one of the Government's pledges that there would be residential development along the corridors of Crossrail.

Inland Homes has received significant support from the Local Authority to develop on this brownfield site. We have ensured that an appropriate density of residential could be achieved within the development, which has alleviated the need for the local council to find approximately 56 hectares of alternative land, which could only be facilitated through the release of sensitive greenbelt sites.

See page 31

Key Fact

The increasing scale of our operations

Key Fact

Our ability to take advantage of present opportunities whilst using our relationships to realise the future potential of a site

Key Fact

Strong joint venture relationships

Alperton, North West London

Strategic Link

CONSTRUCTION ACTIVITIES

The Alperton site is one of the early partnership developments for Inland Homes, with the Group entering into a construction contract with a major Housing Association, having disposed of the land. The contract is expected to conclude in approximately three years and is profitable, cash generative and self-funding.

This project differs from an open market development project as the sale of the land happens immediately, crystallising the recognition of the land profit and generating a cash receipt which can be applied to reduce any associated borrowings. The client pays monthly valuations for work completed which enables early recognition of revenue and profit. This allows the development to proceed without the Group incurring additional borrowings and de-risks the development, providing a good counter balance to speculative housebuilding or lumpier land sales in terms of revenues, cash flow and return on capital employed.

The site is in an area that is suffering from a housing shortage and, sitting alongside the Grand Union Canal, the development itself will consist of attractive five storey units with excellent transport links to London. The site will be developed by our construction team which ensures we have the flexibility and guaranteed high quality that comes from an Inland home.

Key Fact

Developing partnerships to deliver value to both the HA and Inland Homes

Key Fact

Establishing our reputation as a self-delivering housebuilder

Key Fact

Diversifying and de-risking our development portfolio

Our Strategy

Inland's clear strategy has delivered growth and a number of outstanding projects over the last year. We have maintained existing relationships and developed new ones, and refined our housebuilding capabilities so that we continue to compete with other housebuilders. However, we have still retained the essence of what makes us unique.

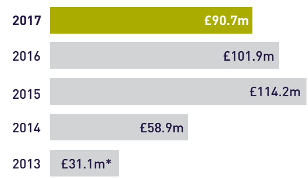
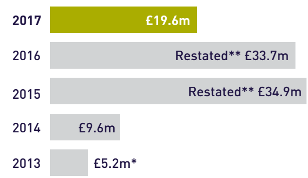
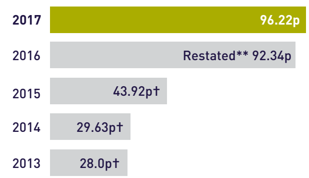
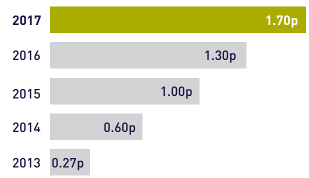
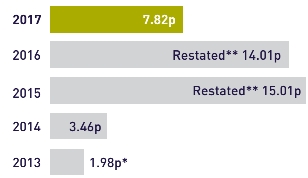
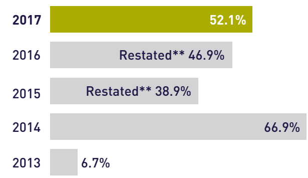
Strategic goal	Description
1 **Increase the size of our land bank year on year**	Purchases range from tactical acquisitions of sites which open up the potential of neighbouring land, to areas which will become key housebuilding terrain in the future, to sites ready for immediate development. All of these purchases are funded by our careful financial strategy, which balances loan finance, joint venture funding and equity released from operations.
2 **Continue the core activity of plot sales to other developers to generate cash to fund our operations**	As our planning team adds value to land through securing planning permission, we are able to make attractive short term returns through land sales to developers. In this strong housebuilding climate there is high demand for quality land, so our strategy means that we are well poised to take advantage of this and generate strong revenue streams and cash flow to fund our land buying and development programme.
3 **Maximise the value from our land bank by expanding our housebuilding programme**	Having proved our credentials as a quality housebuilder with award-winning developments such as Meridian in Southampton and Carter's Quay in Poole, we continue to build momentum and develop our quality portfolio. Our housebuilding capabilities have bolstered our reputation and attracted some significant partnerships, for example the project in Chapel Riverside, Southampton.
4 **Maintain borrowings at a manageable level through a strong focus on cash management and vendor financing**	Our varied range of financing options gives us flexibility. Our business plan includes the sale of consented land, which we can tailor to our cash flow requirements. Additionally, we have a bank of properties, which are providing a steady stream of rental income and cash that contributes to fund our overheads.

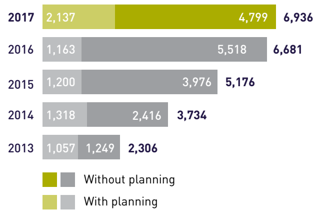
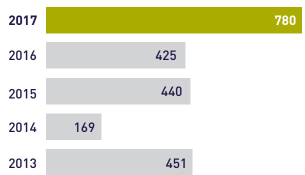
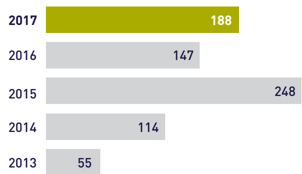
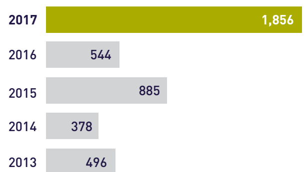
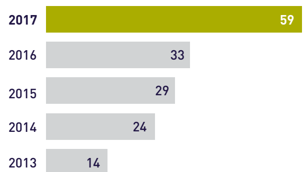
Progress over past year	Focus for the future	Connected KPI
• Increase in the size of the land bank since the last annual report despite the sale of 780 land bank plots and 188 homes • Planning permission or resolution to grant planning permission obtained on 1,856 plots during the year	Continue to secure more planning consents and acquire sites with excellent potential to add value	• Number of plots with or without planning consent • Planning permissions gained during the year
• 780 plots with planning permission sold during the financial year • 2,137 plots with planning permission in land bank • Applications for planning permission submitted on a further 827 plots	Selective disposal of sites to other developers	• Number of plots with or without planning consent • Planning permissions gained during the year • Total residential plots sold
• Investment in staff to increase the level of construction expertise within the Group • We have 427 residential units under construction across 12 sites (including 43 within a joint venture)	Our speculative and Partnership Housing developments are expected to increase in number	• Total residential units sold
• Net gearing at 52% • Cash balances of £26.5m • Gross borrowings of £94.5m	The Group is focussed on keeping its net borrowings to below 40% net EPRA gearing (defined as loans and accrued ZDP liability less cash as a proportion of EPRA net asset value)	• Net gearing

Read more in our Key Performance Indicators on pages 28 to 29

Our KPIs

Financial

KPI	Strategic focus	Performance	Chart
Revenue	Revenue from housebuilding activities is expected to increase significantly and this will be supplemented by land sales and contracting income.	There were two sales of land during the year which flow through gain on sale of subsidiary or joint venture rather than revenue and gross margin. If they had been direct land sales revenue would have been £117.7m, representing a 16% increase on the prior year.	
Profit before tax	The Board's expectation is to continue to build on the recurring profitability achieved over the last two years and will seek to secure this by the planned expansion of housebuilding and the sale of consented building plots.	Demand for consented land was once again strong during the year and this resulted in several highly profitable land sales.	
Adjusted EPRA net asset value per share	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 housebuilding. Details can be found in the Chairman's Statement on page 07.	The more modest increase in this measure is due to the introduction in the prior year. The use of the adjusted EPRA net asset value measurement exposes how much 'hidden' value is held within inventories.	
Dividend per share	It is the Group's intention to progressively increase the dividend annually as profits rise.	The Group paid an interim dividend of 0.5p per share in June 2017 and has proposed a final dividend of 1.2p per share payable in January 2018.	
Basic earnings per share	The increase in profitability mentioned above will have a proportional impact on earnings per share which should continue to improve.	This is less than last year due to a large revaluation on the Wilton Park investment properties in 2016.	
Net gearing‡	The Group is keen to maintain gearing at a reasonable level, taking into account the net asset value.	Net gearing has increased from 46.9% to 52.1% in line with management's expectations.	

Non-financial			
KPI	**Strategic focus**	**Performance**	**Chart**
Number of plots with or without planning consent	The Group's target is to have a land bank of approximately 10,000 residential plots in the medium term.	The land bank now stands at a record level of 6,936 plots, including 2,137 plots with planning permission or resolution to grant planning permission.	
Total residential plots sold	The Group's objective is to sell consented plots that are unlikely to be developed by Inland Homes to realise profits and to raise working capital.	There was a strong demand for consented plots from housebuilders during the year so a substantial number of plots were sold.	
Residential home sales	The Group expects to sell a larger number of residential units in the year to June 2018 and the plan is to increase this target over the medium term to approximately 500 units.	The Group sold 188 private residential units during the year, which was a 28% increase over the previous year.	
Planning permissions 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.	The Group gained planning permission or a resolution to grant planning permission on 1,856 plots during the year ended 30 June 2017.	
Average number of employees	The average number of employees to rise only modestly as the volume of housebuilding increases.	Due to the increase in housebuilding activities the average number of employees increased during the year.	

* Due to the introduction of IFRS 10 the Group has consolidated the results of DGVL for the years ending 30 June 2016, 2015 and 2014. Prior years were accounted for under IAS 27 and SIC 12 and these standards did not require the consolidation of DGVL.

** Further information can be found in note 29 to the accounts

† The Group adopted the performance measures of the European Public Real Estate Association (EPRA) from December 2015, therefore prior year comparatives consist of net asset value only, without the uplift of the underlying asset value. Further details on the EPRA net asset value can be found in the Chairman's Statement on page 07.

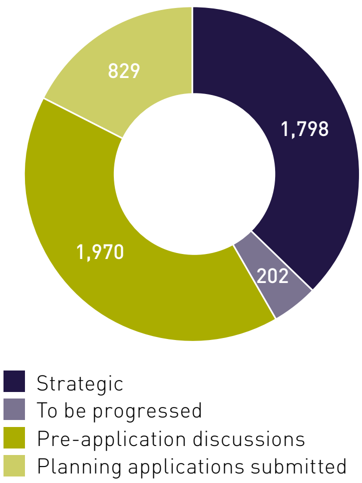
‡ Net gearing is defined as loans and accrued ZDP liability less cash as a proportion of net asset value.

Chief Executive's Review

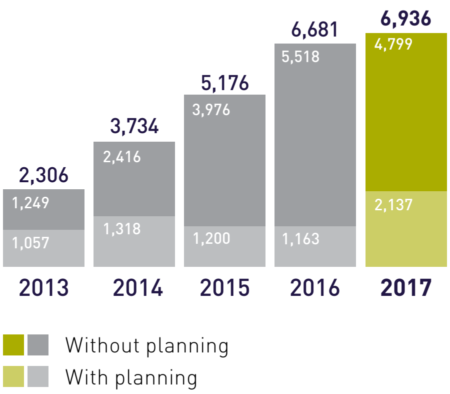
> This last financial year was an exceptional period that demonstrated the full capabilities of the business to deliver planning approvals on a considerable number of sites and across a wide range of diverse projects."

Stephen Wicks, Chief Executive

Planning status of plots in land bank



Land bank status



Our Group strategy continues to be focused on the following four strategic goals:

- Increasing the size of our strategic land bank, including brownfield sites where residential development is expected; the tactical acquisition of sites which unlock future potential; and locations which will become key housebuilding terrain in the future.
- Adding value to our land bank by navigating what are often complex sites through the planning system, requiring a unique skill set, and selling them to other developers, realising attractive short-term margins and generating cash to fund our operations.
- Maximising the value from our land bank through housing development and direct sales, as well as providing housebuilding services to other landowners.
- Ensuring a strong and flexible balance sheet by maintaining borrowings at a manageable level through a focus on cash management and with a maturity profile appropriate to our potential future cash flows.

With these in mind, it gives me great pleasure to report on another set of robust results for Inland Homes, demonstrating strong profitability during the year ended 30 June 2017 and a further improvement in both stated and EPRA net asset value at the year end.

* Further information can be found in note 29 to the accounts

Results and operations

Profit before tax and before revaluation of investment properties has increased by 15.3% to £18.1 million (2016 restated*: £15.7 million) with the majority of realisations taking place in the second half of the financial year, as expected and previously guided. Including revaluation of investment properties, profit before tax was £19.6 million (2016 restated*: £33.7 million) reflecting the majority of the valuation uplift having taken place in the previous year on the portfolio of existing residential properties at our site in Wilton Park, Beaconsfield. The EPRA net asset value at 30 June 2017 was £194.4 million (2016 restated*: £186.3 million) and this translated to 96.22p per share (2016 restated*: 92.34p).

We operate at the more affordable point in the market, where homes are typically priced between £200,000 to £450,000 and the average selling price of our homes during the financial year was £306,000 (2016: £337,000). Our forward sales at 30 June 2017 stood at £19.9 million and currently stand at £33.0 million. In addition, we have three major construction contracts amounting to £41.5 million on our Partnership Housing activity, comprising permissioned land that has been sold to Housing Associations with Inland Homes subsequently securing construction contracts to build the planned residential units. The Group intends to increase this activity and expects this to be a growing revenue stream in the future.

The current annualised rental income from our commercial and residential investment activities, as we continually seek to maximise the potential of our assets, amounts to £2.6 million (2016: £2.6 million) and we will selectively sell some of these assets in order to reduce our net gearing.

Our development sites are principally around the M25 and M11 corridor, as well as on the South Coast around Poole in Dorset and Southampton in Hampshire. We believe these areas of the market, both in terms of pricing and location, will continue to remain relatively stable over the medium term, largely underpinned by the structural imbalance in the housing market which is continuing to witness excess demand over supply.

Land Portfolio

The Group's land bank currently stands at 6,936 plots (2016: 6,681 plots) with 30.8% (2016: 17.4%) of the portfolio having planning permission or a resolution to grant planning consent. During the year ended 30 June 2017 new planning approvals and resolutions to grant planning approval had been received for 1,856 residential units. The current status of the land portfolio is as follows:

	Plots without planning consent	Plots with planning consent or resolution to grant planning consent	Total plots
Owned under construction	–	294	294
Owned or contracted	493	1,700	2,193
Managed or held within joint ventures under construction	–	43	43
Managed or held within joint ventures	1,266	100	1,366
Joint ventures terms agreed	570	–	570
Terms agreed	200	–	200
Strategic land terms agreed	2,270	–	2,270
TOTAL PLOTS	4,799	2,137	6,936

This last financial year was an exceptional period that demonstrated the full capabilities of the business to deliver planning approvals on a considerable number of sites and across a wide range of diverse projects types with varying levels of complexity associated with them. To achieve this, Inland Homes has drawn on its extensive experience within the senior management team to manage the challenges of site delivery, to meet programme timetables and enable approvals that the Group can either take forward as future constructions sites, or as land available for sale.

The Group operates across a diverse land portfolio from town centre developments to major regeneration projects as well as some redevelopment of land located in the greenbelt. This requires land and planning teams with a unique skillset and expertise that sets us apart from our peers. Set out below some are of the projects that we have been working on during the last year.

Regeneration and Greenbelt / Greenfield Developments

Wilton Park, Beaconsfield

An outline planning application for up to 350 homes as well as commercial and community development on this major developed site in the greenbelt was submitted in September 2017. The design proposals have taken longer to come to fruition than originally anticipated as we needed to ensure that the scheme met the requirements of this premium location as well as those expected by the Local Authority. We are already generating an annual rental stream of £1.0 million from 86 existing residential properties on this site valued at £46.9 million and which are included in the accompanying financial statements under investment properties. In addition, the site generates approximately £0.5 million per annum from letting other space for storage and film production. We expect this 100 acre site to generate a gross development value of approximately £350 million.

Wilton Park also sits within the proposed East of Beaconsfield Strategic Land release as proposed by South Bucks District Council and the current application ensures that it can accommodate further development on the site.

Cheshunt Lakeside, Cheshunt

This is currently Inland Homes' largest regeneration project comprising an emerging masterplan for a new mixed use Urban Village of up to 2,000 new homes on 30 acres of land of which 18 acres are either owned or controlled by our joint venture company. The site sits immediately adjacent to Cheshunt Station (27 minutes to London Liverpool Street) and the proposed new Crossrail 2 route. The setting is regarded by Broxbourne Borough Council as a key delivery location for much needed new homes and employment space in the Borough. Over the last year our land and planning team have assisted the Local Authority in increasing the development allocation from 1,000 residential units to approximately 2,000 units across the wider masterplan. The Group has a 50% interest in this development site and a planning application is expected to be submitted in December 2017, once we have successfully incorporated the requirements of key stakeholders and have a masterplan that can support the Borough through their Local Plan process. The resultant masterplan will include new community facilities, a new two form entry primary school and employment space comprising uses such as offices, healthcare, business, leisure, restaurant and retail.

Chief Executive's Review

Continued

Wilton Park, Beaconsfield, Buckinghamshire

Artist's impression of the new Wessex Hotel development, Bournemouth, Dorset

Artist's impression of Sherbourne Wharf, Birmingham

Chapel Riverside, Southampton
This regeneration site was secured by way of a Development Agreement with Southampton City Council whereby Inland Homes has obtained outline planning approval for 457 apartments plus 64,000 sq ft of commercial space with a detailed approval for the first phase of 72 units, which is now under construction. The gross development value of this site is expected to be in excess of £120 million and we anticipate the project will take approximately seven years to complete.

Abbey Wharf, Alperton, London
A resolution to grant planning consent was received for a first phase of 135 apartments in what is a new London Housing Zone. This site will kick start the regeneration and deliver some of the key requirements of the Housing Zone masterplan. The site was sold by the Group during the financial year generating a profit of £6.0 million. The Group has also secured a £29.5 million construction contract and construction is expected to commence in December 2017.

Aston Clinton Road, Aylesbury
Significant technical and planning challenges, including noise, transport and drainage, had to be overcome by the Inland Homes team in order to secure planning consent for 400 homes and 105,000 sq ft of commercial space on this site, which was owned by our joint venture company with Europa Capital. The joint venture company was sold in June 2017 resulting in a gain for the Group of £7.0 million.

Town Centre Developments

Sherbourne Wharf, Birmingham
Located 500 metres from Brindleyplace in Birmingham, this well-located City Centre site has received planning approval for the first two phases, which will deliver a total of 167 canalside apartments. We submitted a planning application for the third and final phase of 87 apartments in September 2017. This is a dense urban site which provides an exciting opportunity to create a new vibrant waterfront destination that links in with the Canal and Rivers Trust plans for the area. It has an expected gross development value of £50 million.

Beaumont Works, St Albans
When Inland Homes acquired this Grade II Listed Building it was severely run down and in need of refurbishment. Sensitive negotiations with conservation officers enabled a bespoke design to be incorporated alongside a new contemporary residential building with a total of 58 residential units. The site was sold with planning consent in June 2017 for £7.5 million and a profit of £1.8 million.

Randalls Department Store, Uxbridge
The Group's expertise in the development of brownfield urban sites was put to the test on this former Grade II Listed Department store, a local landmark, which became the centrepiece of a new mixed use restaurant and residential proposal. Detailed negotiations with Historic England ensured that the final designs allowed for a practical design that retained the key aspects of the department store. Integration of affordable housing, technical aspects of structure and highways, plus the extra complication of the retention and conversion of the former fire station added to the complexities. Planning permission for 58 apartments and 8,000 sq ft of commercial space was received with some accolade from the local Council. The Group expects the gross development value to be approximately £25 million and plans to sell the site in the current financial year.

Lily's Walk, High Wycombe
Inland Homes secured planning permission for 239 new private tenure apartments and 15,800 sq ft of commercial space on this site in the heart of High Wycombe. As a former gas works with a significant sloping terrain, the site presented a range of challenges to be overcome. An integral part of this site is the delivery of a major piece of public infrastructure known as the Town Centre Relief Road that forms part of the new road system in the town. The Group will shortly commence construction of this development having purchased the site post year end from its joint venture with CPC Group Limited. The gross development value of the site is approximately £75 million and contracts have already been exchanged with end purchasers of apartments for £5.5 million.

Wessex Hotel, Bournemouth
This planning approval has been one of the hardest negotiated schemes the Group has procured. The location is on one of the major routes into Bournemouth and forms a key gateway within the West Cliff conservation Area. The scheme replaces an existing 100 bed, run down hotel, with a new 100 bed hotel, basement parking plus two apartment buildings totalling 88 private apartments.

Artist's impression of Cheshunt Lakeside, Cheshunt, Hertfordshire

Housebuilding

Following the strategic decision to bring the majority of our housebuilding activity in-house, the past year has also focused on investing in the expansion of our construction team. This process has resulted in recruitment at both head office and site level and, as expected, this investment has brought about a planned increase in overheads, with staff numbers having increased from 39 on 1 July 2016 to 74 at the year end. This facet of the business will deliver improved processes and structures that will accommodate an expansion in our production. Moreover, by managing this construction activity ourselves, we can deliver cost savings over the long term and enable greater control and certainty over the delivery and timing of projects.

We currently have 427 units under construction (including 43 included within a joint venture) across 12 sites of which 316 units (74%) are being delivered in-house. In order to control our working capital requirements, our policy has always been to forward sell our homes. This has been further bolstered by engaging in land disposals to potential landlords with forward funded construction contracts which will have a positive and growing impact on revenue, profits and net borrowings.

Outlook

We are continuing to see strong demand for sites within our land portfolio especially from Housing Associations who have been tasked by the government to increase the number of homes within their portfolios. The Group's strategy is to use more of its land bank for its own housebuilding activities and procure planning permissions in order to deliver sites that could be either sold outright or with the benefit of a construction contract, or be developed to extract the development contribution.

We believe that this provides Inland Homes with significant flexibility and balance to the business through diversified revenue streams and therefore, against the current market backdrop, feel very positive about our ability to create and crystallise further value for our shareholders.

Stephen Wicks
Chief Executive Officer
27 September 2017

Finance Director's Review

> The term of the Group's borrowing facilities has been improved with 100% of total borrowings being repayable after one year, and 53.5% repayable between three and five years."

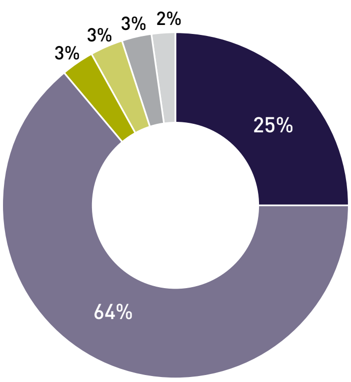
Nishith Malde, Group Finance Director

Gearing on EPRA net assets

35.0%

(2016 restated*: 29.3%)

Revenue by segment



Inland Homes has achieved another year of strong results, achieving growth in recurring profits before tax of 15.3% and in adjusted EPRA NAV per share of 4.2%. The Group's strength in acquiring land well and successfully taking it through the planning process coupled with land disposals and housebuilding activity have all contributed towards producing these results.

The business has five significant revenue streams as follows:

- Land disposals
- Sale of private homes
- Construction contracts
- Hotel income
- Rental and other income

A commentary on these revenue streams is set out below.

Group Income Statement

Revenue for the year ended 30 June 2017 was £90.7 million (2016: £101.9 million). This figure excludes two land sales which have been shown as a gain on sale of subsidiary or joint venture, rather than flowing through revenue and gross margin. If these transactions had been direct land sales, revenue would have been in the region of £117.7 million.

The Group sold 780 residential plots (2016: 425 plots) of which 400 plots were at a joint venture site in Aylesbury, Buckinghamshire and 173 plots related to our site in Alperton, Greater London which was a corporate disposal. The balance of 207 plots generated revenue of £22.4 million (2016: £43.3 million).

Inland Homes legally completed 188 open market units (2016: 147) during the financial year, generating revenues of £57.8 million (2016: £51.5 million). The average selling price for a private unit was £306,000 (2016: £337,000).

During the latter part of the financial year the Group entered into three major construction contracts with Housing Associations on land sold by Inland Homes, for a total sum of £41.5 million. One of these contracts was in respect of 28 affordable homes to be provided under a s106 agreement on the last phase of our site at Queensgate, Farnborough where the land was sold for £1.9 million followed by a construction contract for £3.1 million. In addition, the Group entered into construction contracts for a sum of £38.4 million with two Housing Associations in respect of 192 private homes, the land for which was sold to them for a total sum of £24.1 million. The Group recognised revenues of £1.0 million under these contracts and will continue to recognise revenue under contract accounting on a percentage of completion basis throughout the construction programme.

Looking forward, the Group intends to increase this type of activity which will result in an increased proportion of its revenue and corresponding profit to be recognised on a percentage of completion basis over the life of the development in comparison to recognition of revenue and profit on private unit completions at the point of legal completion. This activity will also enable the Group to realise revenue and profitability earlier by selling parcels of consented land, the proceeds from which will reduce net borrowings. The Group will also benefit from these forward funded construction contracts by providing additional development profits without the need to engage in development loans, related expenditure to procure funding and sales and marketing costs. A further advantage is that the Group will have a higher level of forward orders which will protect it against any potential future downturn in the housing market. As a result, the Group is prepared to accept a reduced net margin on such transactions.

Rental income increased to £2.4 million (2016: £2.1 million) with a significant increase in the corresponding operating profit of £2.1 million (2016: £1.7 million). The Group received revenues of £2.6 million (2016: £1.7 million) in operating the Wessex Hotel in Bournemouth where it has recently received planning consent for 88 residential units and a new 46,000 sq ft hotel with associated car parking facilities. Although the net contribution towards operating profit from this revenue stream is relatively small, it saves costs in respect of security, rates, insurance and maintenance whilst taking the site though the planning process.

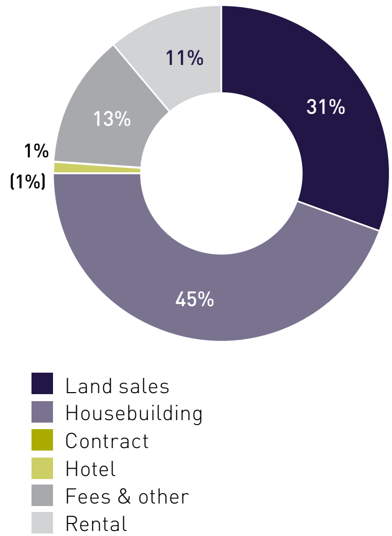
Gross profit was £19.5 million (2016: £29.6 million), however as explained above, two land sales were shown as gains on sale of subsidiary and joint venture where the profit was £13.0 million. The gross margin on housebuilding was 15.1% (2016: 21.9%). The reduction is due to an increase in unforeseen site wide costs on certain projects and additional remedial costs on certain historic projects. The gross margin from land disposals (including the sale of subsidiary and joint venture) was 38.7% (2016: 39.4%). Contract income showed a gross loss because the Group incurred significant remedial costs as well as liquidated ascertained damages on two construction contracts from Housing Associations that were sub contracted to a contractor that failed last year. Excluding these contracts, construction contract margin was 17.8%.

In line with the strategic decision to increase our in-house construction capabilities, our head count has increased from 39 to 74 over the course of one year. During the year, head office staff increased by 15 and consequently administrative expenses increased by 20.1% from £6.3 million to £7.6 million.

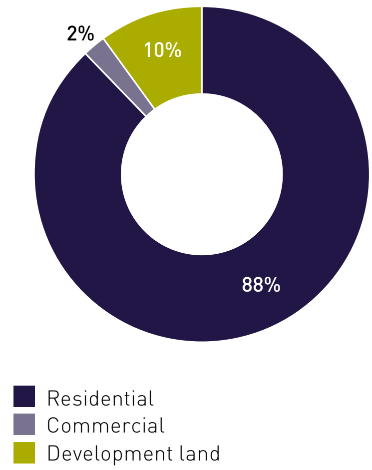
Our associate company, Troy Homes Limited, is in its second operating year and, as expected, further losses were incurred during the start-up phase. The Group has therefore made a provision of £238,000 and the carrying value is now £1.1 million. Troy is expected to make a profit during its financial year ending 31 March 2018.

Finance costs increased marginally by 6.4% to £7.0 million (2016 restated*: £6.6 million). Actual interest charges on borrowings remained static at £4.7 million. This reflects the lower average cost of debt being incurred by the Group, especially when its borrowings have increased from £71.3 million to £94.5 million. Also included in finance costs is notional interest of £1.4 million (2016 restated*: £1.1 million) being the discount applied on deferred consideration on some of the Group's land acquisitions and disposals. The Group has capitalised interest of £1.1 million (2016 restated*: £0.8 million) within inventories as required by IAS 23. Interest cover, expressed as the ratio of operating profit (excluding revaluation gains) to net finance costs (excluding notional interest on deferred consideration) was 4.8 times (2016 restated*: 4.4 times).

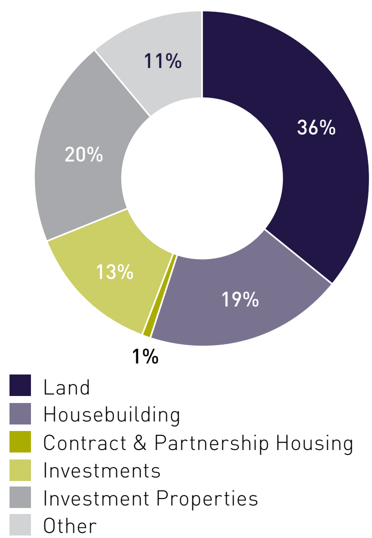
Gross profit by segment



Investment property



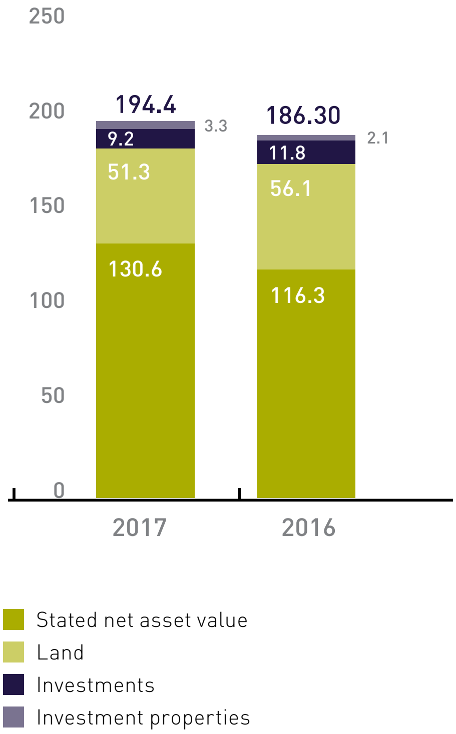
Asset by segment



Finance Director's Review

Continued

EPRA net asset value by segment



Recommended final dividend

1.2p per share

(2016: 0.9p)

Adjusted EPRA net asset value

96.22p per share

(2016 restated*: 92.34p)

Taxation

The total tax charge of £3.8 million represents 19.5% of the profit before tax. The corporation tax rate is 19% and the small difference has arisen due to tax losses available for relief and a deferred tax liability on part of the revaluation gain on investment properties. A prior year adjustment of £1.3 million has been made to recognise an additional deferred tax liability relating to the revaluation gains on investment properties due to sufficient capital losses not being available. See note 29 for further information.

Earnings Per Share and Dividends

Basic earnings per share decreased by 44.2% to 7.82p (2016 restated*: 14.01p) per share while basic earnings per share excluding revaluation gains increased by 39.3% to 7.09p (2016 restated*: 5.09p). The Company paid an interim dividend of 0.5p (2016: 0.4p) per share on 23 June 2017 and the Board has recommended a final dividend of 1.2p (2016: 0.9p) per share, increasing the total dividend for the year by 30.7% to 1.7p (2016: 1.3p) per share which delivers a yield of approximately 2.8% based on the share price at 30 June 2017. The proposed final dividend will be payable on 26 January 2018 subject to shareholders' approval, to shareholders on the register at the close of business on 29 December 2017.

Group Balance Sheet and Financial Position

Net assets at 30 June 2017 were £130.6 million, an increase of 12.2% mainly due to retained earnings and a small issue of new shares to employees as a result of exercising share options. This translates to net assets of 64.62p per share (2016 restated*: 57.66p). The EPRA net asset value per share at 30 June 2017 was 91.88p (2016 restated*: 88.22p) and the adjusted EPRA net asset value was 96.22p (2016 restated*: 92.34p) per share.

The Group has provided a loan facility to its associate, Troy Homes Limited, of £3.1 million which bears a coupon of 8% per annum and expires on 9 October 2020. As at the year end Troy had drawn down £2.9 million of this facility.

Inventories have reduced in line with the sale of residential units and plots during the year as there were no significant land purchases during the financial year. The design proposals at Wilton Park in Beaconsfield have taken longer than originally anticipated in order to make sure that the scheme met the requirements of this prominent site and that of the Local Authority. Therefore, in line with International Accounting Standard 23, the Group has decided to capitalise the borrowing costs in relation to this project and has included £1.1 million within inventories. Accordingly, a prior year adjustment for £1.6 million was made against inventories and reserves brought forward.


St John's, Chelmsford, Essex

Cash flow movements

The Group is owed £28.3 million included in Trade and Other Receivables in both current and non-current assets. This is represented by an amount of £10.8 million in respect of the sale of its interest in a joint venture that held its site at Aston Clinton, Buckinghamshire and £10.8 million in respect of the sale of its site at Alperton, North West London which was undertaken via a corporate disposal.

The Group's net investment and loans across four joint ventures has increased from £11.3 million to £18.4 million. This includes our 50% interest in the former Tesco headquarters site in Cheshunt, Hertfordshire where we are leading the master planning on the wider regeneration for a scheme of approximately 2,000 residential plots of which approximately 1,350 would be within the land that our joint venture owns.

Other financial liabilities of £20.1 million consists of deferred consideration on two sites in Buckinghamshire.

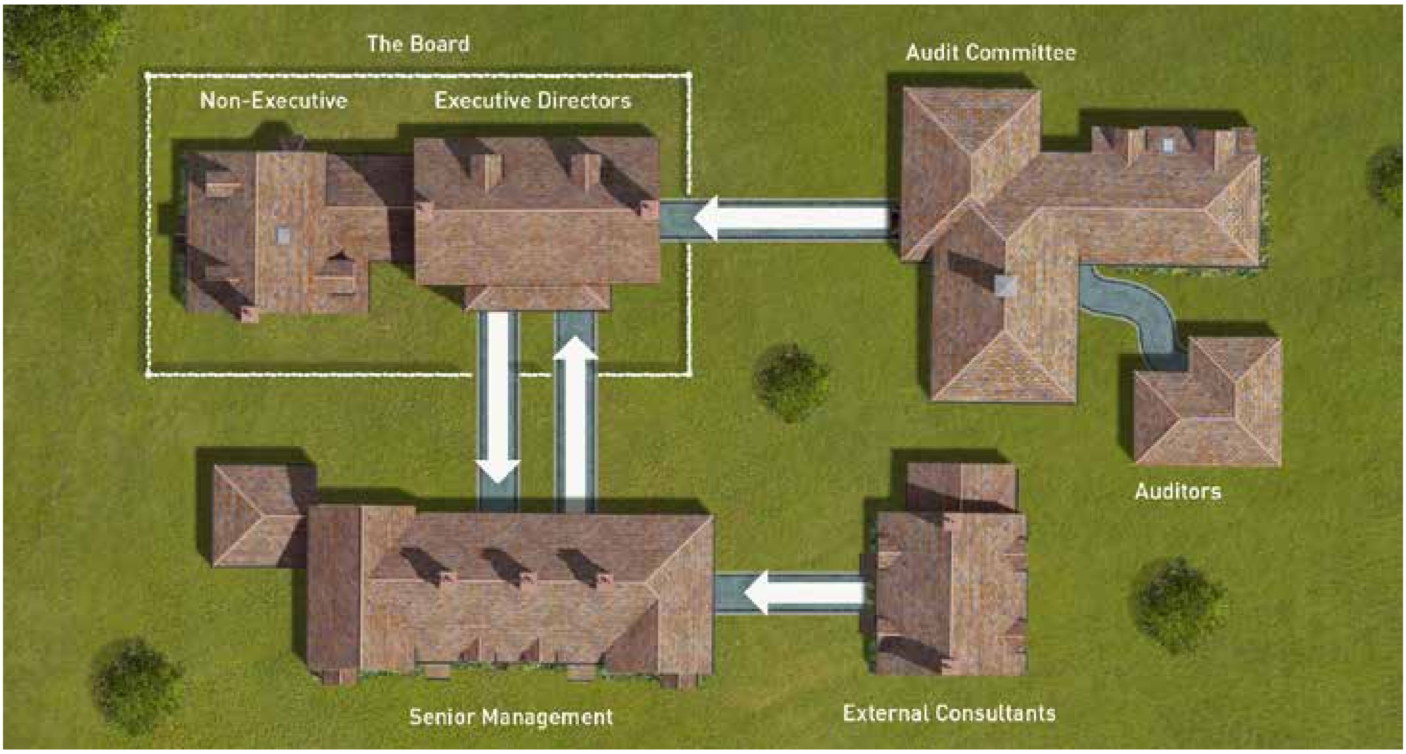
The term of the Group's borrowing facilities has been improved with 100% of total borrowings being repayable after one year, and 53.5% repayable between three and five years. Our development activities are financed using a £20.0 million committed revolving credit facility expiring in the Autumn of 2019 and land purchases have the benefit of a £25.0 million committed revolving credit facility expiring in over three years. We have also procured a £43.3 million term facility secured against the existing residential units and land at our site in Wilton Park, Beaconsfield. In addition, the Group has the Zero Dividend Preference Shares which have an accrued liability of £17.3 million and are repayable on 10 April 2019. The cash balance at the year end amounted to £26.5 million (2016: £16.7 million) and net borrowings (loans and ZDP liability less cash) were £68.0 million (2016 restated*: £54.6 million) representing net gearing of 52.1% (2016 restated*: 46.9%) on net assets of £130.6 million (2016 restated*: £116.3 million) or 35.0% on EPRA net assets of £194.4 million (2016 restated*: £186.3 million). Net gearing is defined as loans and accrued ZDP liability less cash as a proportion of either net asset value or EPRA net asset value.

Nishith Malde
Finance Director
27 September 2017

* Further information can be found in note 29 to the accounts

Risk Management

Risk management framework



The Executive Directors are heavily involved in the day-to-day running of the business. Risks are discussed on a daily basis as part of decision making on projects. This regular consideration of risks allows management to respond quickly to changes in circumstances.

The Executive Directors set criteria in a range of areas for the Senior Management to report back on: legal, sales and marketing, planning, environmental, construction and financial. Senior Management carry out their due diligence on these aspects for each site. This frequently involves the engagement of external consultants, such as planning consultants, who use their specialist knowledge and outside perspective to challenge our assumptions and ensure that we have a full understanding of the site and its market. From assessing all the information in the reports from Senior Management, Executive Directors can determine the risks present for each site, which informs their decision-making.

While the Executive Directors have some autonomy, full Board approval is required for certain actions, such as the acquisition of land over a set value. The Non-Executive Directors challenge the Executive Directors to ensure that the level of risk being taken is appropriate.

The Audit Committee support the Board in ensuring that the financial performance of the Group is properly reported and monitored. The Audit Committee work closely with external auditors to do this. The auditors produce reports on the control environment and financial statements, which are reviewed by the Audit Committee.

Exit of the United Kingdom from the European Union

On 23 June 2016, the United Kingdom had a referendum in which the public voted to leave the European Union.

Potential impact

There is still uncertainty within the UK economy and it is too early to confirm the impact of the departure. However, the long term underlying demand for new homes is very strong and the government has stated that it will be supporting the housing market with relevant initiatives.

Risks

Risk and description	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 a result of the demand or prices achieved for homes, which may in turn result in impairment of the Group's inventories 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 The Group offers a high level of sales support to customers and this includes assistance with obtaining mortgages at a suitable interest rate
Environmental Unexpected contamination being found on a site	Unexpected liabilities in respect of decontamination works or fines for environmental pollution could affect the financial outcome of a project and reputation of the Group	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 • Labour shortages • Material shortages • Delays	May adversely impact margins on housebuilding and working capital of the Group	The Group tries to build strong relationships with principal contractors and projects are reviewed frequently in order to mitigate these risks
Finance The availability of loan finance 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

Sustainability

At Inland, ensuring sustainable operations and development is of paramount importance. Our caring attitude to our colleagues, partners and the communities and environments in which we work means we strive to function in a way that is best for everyone.

Integrity	Openness	Trust

Our key values of integrity, openness and trust dictate our interactions with each of our major stakeholder groups:

- communities
- homeowners
- developers
- colleagues
- local and national government
- the environment

The value we place on meeting the needs of each of our stakeholder groups intuitively informs all of our policies. With sustainability at the heart of everything we do, the following six areas describe our main focuses, and include many of our achievements.

Archaeology work at Chapel Riverside, Southampton, Hampshire

Community

Caring for the wider community permeates all our activities, and our core focus of transforming potentially contaminated land into desirable family homes and community spaces is always undertaken with the needs of future residents and neighbours firmly in mind. We put a significant amount of effort into ensuring that a development looks attractive through hard and soft landscaping of the site.

At Inland, we support a number of charities and community organisations, including:

BIBIC

Inland are supporters of The British Institute of Brain Injured Children (BIBIC) who are a national charity offering practical help to families caring for children with conditions like autism, Asperger's, cerebral palsy, Down's syndrome, developmental delay, brain injury, and specific learning difficulties like ADHD, dyslexia and dyspraxia.

Make-A-Wish

Inland makes regular donations to the Make-A-Wish Foundation and attends their fundraising events. This charity tries to make wishes of children and young people fighting life-threatening, sometimes terminal illnesses, come true.

Beaconsfield Cricket Club

We are delighted to be the main sponsor of Beaconsfield Cricket Club, whose first team play in Division 1 of the Thames Valley League.

Basildon Football Club

We are currently sponsors of Basildon Football Club.

Colour Rush

This year we have raised over £7,000 for these charities:

- HCPT Group 170
- Teens Unite Fighting Cancer
- Dennis Wise & Frankham Group Charitable Trust

Last year we completed the 5k Colour Obstacle Rush, raising over £8,000 each for:

- forCrohns
- The Nephrotic Syndrome Trust
- Sightsavers

London Taxi Driver's Fund for Underprivileged Children

We donated £3,000 to pay for their taxi safari around Woburn Safari Park.

Melanie Hyland presenting cheque to the London Taxi Driver's Fund for Underprivileged Children

National Autistic Society

2 senior members of staff ran the London Marathon and raised over £22,000.

Wilton Park

The following use the site for training regularly free of charge:

- Thames Valley Police firearms training
- Thames Valley Police dog training
- Metropolitan Police dog training
- National training support group (prison service)
- Buckinghamshire Police Fire and Rescue

Chelsea Flower Show

Inland Homes plc's sponsored garden 'Under a Mexican Sky' won a Silver Gilt award.

Customers

Ensuring customers have a positive experience throughout their interaction with us increases the likelihood of recurring project partnerships with developers, and repeat custom or recommendations from homeowners. Our strong reputation for quality, reliability and delivery leads to many opportunities, for example, land vendors trust Inland to honour promises and offer sales opportunities, while council and community groups seriously consider our bids knowing we have the capability to transform difficult sites.

Our Customer Service procedure ensures that in the unlikely event a customer is dissatisfied for whatever reason, we are able to quickly respond and deal with the issue.

Sustainability
Continued

Our process means that whether the development is self-delivery or contractor led, we can ensure that the issue or enquiry is forwarded directly to the correct personnel where it will be acknowledged and the matter progressed to resolution.

There is a dedicated Customer Service mailbox for each development which enables the Customer Service team to log all reported issues and enquiries on dedicated trackers to ensure that the issues are monitored from receipt to completion and that the customer remains informed.

The Customer Service Managers will attend face-to-face meetings with customers, where appropriate, to discuss and inspect reported issues first hand and make immediate determinations as to the resolution required.

Our small and professional team will seek to resolve all customer issues with empathy and expediency.

The principles of lifetime homes are incorporated into all of our developments, which means that our homes are designed to be easily adaptable for lifetime use at minimal cost. The relationship with homeowners also continues after the sale of a house, with close monitoring and support provided, and customer feedback used to improve future projects. Customer feedback has been used to improve the design of our homes, with the layout of certain rooms (for example the bathroom) changing to better suit the needs of our customers.

Health and Safety

In previous years we have relied on Health and Safety consultants to ensure that our sites are safe, reporting any problems they have back to us. Whilst this has always ensured we are fully compliant with Health and Safety regulations, as we are growing in the number of self-delivery projects we undertake, we felt it was important that we expand our Health and Safety remit. We have therefore directly appointed a new Head of Health & Safety to manage this key part of the business and ensure that standards and culture are of a high level.

We have been joined by key individuals whose experience, coupled with the development knowledge of current Inland Homes employees, ensures that we can begin to make improvements to this area. We recognise that for these improvements to be sustainable we must ensure that the culture and behaviours we expect on our sites are consistently communicated.

Earlier in the year a Steering Group of 10, including three directors, was set up to share experiences of Health and Safety and decide which areas were a priority to tackle, with information and suggestions being peer reviewed. Important elements such as pedestrian access, document control and site signage have been addressed ensuring that each Inland Homes development has a consistent look and feel. The Group will meet regularly to review performance and embrace continual improvement.

In the coming year we will focus on working with our Supply Chain to ensure that their standards meet our expectations. Initiatives in the pipeline include behavioural training, awareness campaigns, initiative weeks and minimum training expectations and we expect to see the benefits of engagement with the Supply Chain across the business.

The benefits that improving our Health and Safety can bring extends beyond the physical safety of our employees. Ensuring good practices encourages others to work with us, improves the quality of the work produced on site and assists with raising our risk profile to insurers, helping the business to be successful and profitable.

Construction underway on Phase 2 of Meridian, Southampton, Hampshire

Supply Chain

As we have continued to successfully move into self-delivery of projects, we have reduced the number of main contractors who build the whole sites. With seven self-delivered sites we now have a much larger supply chain of individual trades and whilst last year our focus was on acquiring these partnerships, this year we will focus on building these relationships.

One way in which we will achieve this is by hosting Inland Homes' first Supply Chain Conference in November 2017. Attendees will include current sub-contractors who work for Inland along with those who may wish to work for us in the future. Outlining what Inland Homes does, our culture and our ethos and what projects we have in the upcoming year will help us to solidify existing relationships and help form new ones.

The relationships between Inland Homes and our subcontractors are based on partnerships as opposed to a one sided arrangement. We are keen to support our regional supply chain, appreciating the differences in the way people work and offering flexibility with those where appropriate. For example, there might be a situation where a subcontractor pays their staff weekly, so we are able to offer fortnightly payments.

St John's, Chelmsford, Essex

Sustainability

Continued

Supporting and encouraging our supply chain is very important to us, and we actively encourage apprenticeships within the business. We have recently employed two apprentice site managers and, in time, we will be expanding this to employing apprentices for trades and placing them with our subcontractors to be trained. It is vital that we continue to support the development of apprentices and new starters to ensure that the supply chain remains sustainable.

Last year we reported that some of our principal contractors had won awards at the LABC Bricks awards. This year we are pleased to announce that Inland's first self-delivery site Meridian Waterside has won a regional LABC Bricks Development of the Year with us going through to the national awards in October 2017.

Sustainable Homes

Planning the sustainability of developments begins at the earliest stages of a project, when potential sites are assessed — for example, considering what materials are present on the site and if these could be reused in construction. Throughout the planning of the infrastructure, buildings, and construction strategies, sustainability is a core focus, and decisions are taken which make both financial and ecological sense. On larger projects we have the scope to undertake ambitious sustainability projects, such as installing energy centres, and all of our projects use a range of environmentally friendly materials and construction methods.

As we now predominantly self-deliver our sites, we have gained greater control over developments. At all of our self-delivery sites, we avoid using mixed use skips so that we can segregate waste. This means that it is easier for the waste to be recycled, reducing the amount that goes to landfill. We are trying to reduce our carbon dioxide emissions through a number of initiatives, such as having eco-friendly site accommodation and ensuring that we are always using electricity from the main grid supply, rather than using a generator.

Our People

We have always prided ourselves on our supporting and caring culture. As we grow as a Group, and more employees are working on various sites, we feel it is important to communicate this culture across the business, regardless of geographic location.

The warmth of atmosphere and pride individuals take in working for Inland Homes is what encourages people to stay with us and ensure that our team remains strong into the future.

As Inland Homes has grown over the last 18 months, our team has developed from 28 to 90 members of staff, with around 55 on site. A challenge with this growth is ensuring that Inland's culture is communicated effectively both within our offices and on our sites. We are facing this challenge through investing in elements such as a staff intranet to ensure that no-one feels isolated whilst working at Inland Homes.

Bringing new talent into the company is hugely important, as there is a general shortage of labour across all roles within the property industry. We are passionate about developing the next generation of workers, whether they be in our offices or working with our subcontractors on site. We hire both graduates and apprentices and offer work experience to students where there is a potential of a permanent role at the end.

Along with hiring new talent, we are dedicated to developing the skills of our existing employees. This may be through offering them responsibility, having the opportunity to learn from others within the Group and through supporting them to do external qualifications.

'Inland Homes' Beneath a Mexican Sky - silver gilt award winner at Chelsea Flower Show

Gary Magee Planning Manager

I joined Inland Homes shortly after completing a masters degree in Spatial Regeneration at Queen's University Belfast and have worked here for four years. I originally joined as an Assistant Planner, and I was then promoted to the role of Planner. I am now a Planning Manager within the Inland Planning and Design department.

With the financial support of Inland Homes, two years ago I became a member of the Royal Town Planning Institute (RTPI) and I am now working towards becoming a Chartered Planner, a qualification that I would like to achieve by the end of 2018. The support I have received from Inland Homes has been vital to my development. Along with practical experience, the Group has supported and encouraged me to attend planning seminars and conferences which has been hugely beneficial to my professional development whilst ensuring I keep abreast of changes to planning policies and regulations which I can then apply to my work. Gaining formal recognition of the experience and skills I have acquired through becoming a Chartered Planner will be hugely advantageous to my personal development but will also aid in continuing to create a strong and skilled team within the Inland Planning and Design department.

The experience I have gained since working at Inland Homes has been amazing, having received responsibility and ownership of projects early on in my career. Whilst the business has grown considerably over the last 18 months, the consistent leadership has been hugely beneficial and the ability to have direct communication with the Leadership team is a special characteristic of Inland Homes.

Awards

2016

Won:

- **Investor Relations Society Best Practice Awards 2016**
  – Best Digital Reporting for Small Cap & AIM
- **South Coast Property Awards 2016**
  – Housebuilder of the Year
  – Best Regeneration Project

Shortlisted:

- **Housebuilder Awards 2016**
  – Best low or zero carbon initiative
- **South Coast Property Awards 2016**
  – Development of the Year
- **Thames Valley Property Awards**
  – Housebuilder of the Year
  – Development of the Year
  – Regeneration Project of the Year

Awards

2017

Won:

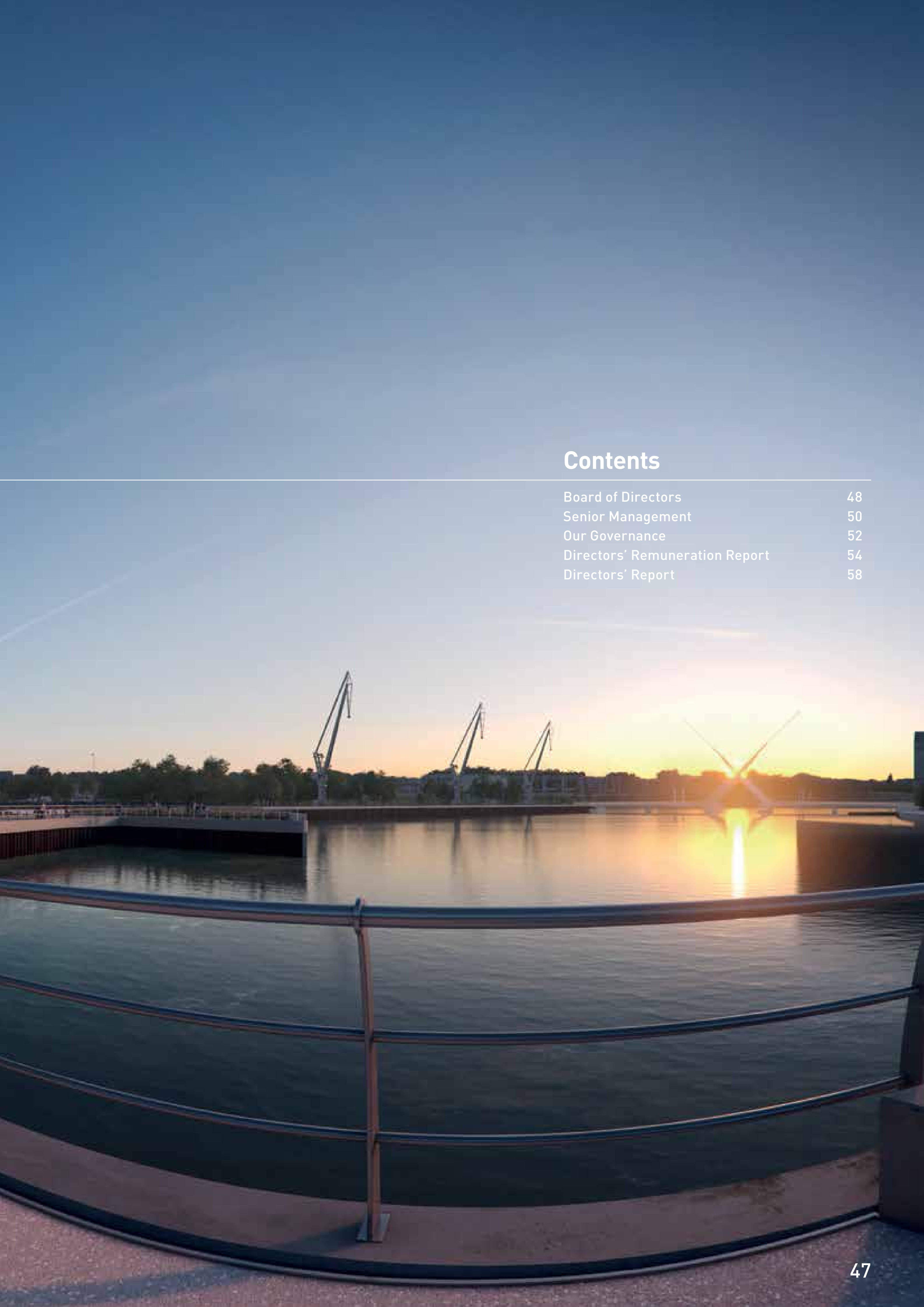
- **Chelsea Flower Show**
  – Silver Gilt award for 'Inland Homes' Under a Mexican Sky'
- **London Stock Exchange**
  – Named as one of the prestigious '1,000 Companies to Inspire Britain'
- **Corporate and Financial Awards**
  – Bronze award for the Best Online Report: AIM/small cap
- **South Coast Property Awards 2017**
  – Best Regeneration Project

Shortlisted:

- **South Coast Property Awards 2017**
  – Housebuilder of the Year

Governance

Artist's impression of future phases at Carter's Quay, Poole, Dorset



Contents

Board of Directors

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, Group 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 it 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.

Committee membership

A Audit Committee member

R Remuneration Committee

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
- Holds a BSc in Estate Management and an 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
- President of the European Union of Housebuilders and Developers

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

External appointments

Member of the board of AIM quoted Energiser Investments plc

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

- After graduating from the London School of Economics, 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 onto 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 over 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
- Head of Corporate Broking at Fairfax IS plc
- Head of Corporate Broking at Sanlam Securities

External appointments

- He established Incremental Capital LLP in 2004 to provide corporate finance advice to mid and small cap companies
- Chairman of the Grown Up Chocolate Company
- Partner at Glenmill Partners

Senior Management

Gary Skinner
Managing Director, Inland Limited

Time with Group

1 year

Skills he brings to the Group

He has worked in the housebuilding sector for over 30 years and has a track record of successfully delivering all types of housing schemes

Previous experience

- 13 years with McLean Homes/George Wimpey
- Production Director George Wimpey
- 9 years as Willmott Dixon Director of Operations
- Experience in main contracting and private developments

Mark Gilpin Planning Director

Time with Group

7 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

6 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 acquisition by Gladedale 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

8 years

Skills she brings to the Group

She has worked in the housebuilding sector for 15 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)

Carter's Quay, Poole, Dorset

Our Governance

Chairman
Key Responsibilities

- Running the Board effectively
- Presides over Board meetings in a manner that encourages openness and participation
- Guides and directs the corporate governance process
- Serves as the Board's principal point of contact with the CEO
- Works with the Chairperson of the various committees to align their objectives

Board
Key Responsibilities

- Setting the overall Group strategy
- Dealing with all significant operational matters
- Regularly monitors the Group's risks
- Ensures that there is an adequate system of internal controls in place
- Makes certain that the management information systems are in place to allow the Board to make timely and informed decisions
- Monitors the Group's Health & Safety procedures
- Works with the Chairperson of the various committees to align their objectives

Chief Executive Officer
Key Responsibilities

- Implementing the short and longer term strategy of the Group and other key issues determined by the Board
- Presiding over the day to day management of the Group's activities
- Making all key decisions regarding the Group's activities
- Delivering shareholder value
- Managing the financial implications and risks associated with any major decisions
- Is accountable for risk management operations for the Group
- In conjunction with the Group Finance Director is responsible for communication with the Group's stakeholders

Group Finance Director
Key Responsibilities

- Plays a key role in developing, monitoring and evaluating overall corporate strategy
- Works closely with the CEO and has overall responsibility for all financial related activities of the Group
- Is accountable for the financial and administrative operations of the Group with particular emphasis on profitability, working capital management and enhancing shareholder value
- Provides key financial insight to allow the Board to make better decisions
- Communicates the financial implications of business decisions to the CEO
- To establish an internal control system required to effectively manage the business and control risk
- In conjunction with the CEO is responsible for communication with the Group's stakeholders

Audit Committee
Key Responsibilities

- Monitors the effectiveness and integrity of the Group's financial reporting systems
- Reviews the financial statements provided to shareholders
- Plays a key role in planning and working with the Group's auditors to ensure that they provide a cost effective service which is objective and independent
- Meets separately with the auditors three times a year

Remuneration Committee
Key Responsibilities

- Establishing and updating the remuneration policy for each of the Executive Directors
- Considering, discussing and approving the annual bonuses for the Executive Directors and agreeing any awards to be made under the 2013 LTIP, approved by shareholders in December 2013
- Further details of the remuneration policy and package for each of the Executive Directors are set out in the 2016 Directors' Remuneration Report on pages 54 to 57

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.

Corporate governance

Whilst the Company does not comply with the 2014 Corporate Governance Code for periods beginning after 1 October 2014, the Directors recognise the importance of sound corporate governance and have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code 2014 we consider to be relevant to the Company and best practice.

Audit Committee

The Audit Committee comprises Terry Roydon (Chairman) and Simon Bennett. The Audit Committee meets at least four 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 Group Finance Director and the Chief Executive.

Since 30 June 2016 the Audit Committee has met three times to consider the planning of the statutory audit and to review the Group's draft half and full year results prior to Board approval and to consider the external auditor's detailed reports thereon.

Internal controls

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

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

Relations with shareholders

The Company has institutional shareholders and is, where practicable, willing to enter into a dialogue with them. The Chief Executive and Group 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 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 Group Finance Director. During the year the committee met a number of 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 (unaudited)

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 2017 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, Group 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 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.

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 (Inland Homes 2013 Limited) between the Company and the Group's 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 awards in relation to 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 be awarded.

2. Vesting and Exchange of Growth Shares

Subject to the Performance Targets being met, the awards in relation to the Growth Shares will vest in accordance with the Articles of Association of Inland Homes 2013 Limited 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. Each annual performance period ends 20 working days after the announcement of preliminary results for each year, usually therefore in October of each year.

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 at 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

Directors' Remuneration Report

continued

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.

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 2017

A review of the financial results for the year ended 30 June 2017, as more fully set out in the Chairman's Statement, the Chief Executive's Review and the Finance Director's Review, demonstrates that Inland Homes has had another good year with a 12.2% increase in net asset value to £130.6 million (2016 restated*: £116.3 million) and an EPRA net asset value for the Group at 30 June 2017 of 96.22p per ordinary share (2016 restated*: 92.34p). Turnover for the year at £90.7 million was lower than the previous year (2016: £101.9 million) and profit before tax and the revaluation surplus at £18.1 million showed an increase of 15.3% (2016 restated*: £15.7 million), whereas profit before tax, which includes the revaluation surplus on the Group's investment properties of £1.5m (2016: £18.0 million), showed a decline (2017: £19.6 million: 2016 restated* £33.7million). In light of the results recorded by the Group, the following bonuses have been awarded by the Remuneration Committee to the Executive Directors, as follows:

Stephen Wicks	£72,500
Nishith Malde	£72,500
Paul Brett	£47,500

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.

* Further information can be found in note 29 to the accounts

Directors' remuneration table (audited)

The remuneration of each of the Directors during the year ended 30 June 2017 is set out in detail below:

	2017							2016
	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**	**131**	**29**	**–**	**508**	**83**	**591**	560
N Malde*	**348**	**131**	**26**	**–**	**505**	**84**	**589**	556
P Brett	**197**	**91**	**12**	**20**	**320**	**51**	**371**	344
Non-executive Directors								
T Roydon	**55**	**–**	**–**	**–**	**55**	**–**	**55**	55
S Bennett	**45**	**–**	**–**	**–**	**45**	**–**	**45**	45

* S Wicks and N Malde have taken their pension entitlement as part of their salaries. During the period no LTIPs vested.

Directors' interests in shares and the unapproved share option scheme and the 2013 LTIP (audited)

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 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	–
Total options outstanding at 30 June 2016	–	1,500,000	1,100,000
Exercised during the year	–	–	(700,000)
Total options outstanding at 30 June 2017	**–**	**1,500,000**	**400,000**

During the year, P Brett exercised 700,000 share options at a price of 50p pence per share. The market price of the shares on the date of admission to AIM were 59.25 pence per share, resulting in a gain of £64,750.

2013 LTIP

The initial price for determination of awards under the 2013 LTIP was 46.5 pence per ordinary share. In aggregate, to date, the conditions for the issue of 6,000,000 of the 11,350,504 new ordinary shares that can be issued in exchange for vested Growth Shares have been met in accordance with the rules of the 2013 LTIP.

	Ordinary shares of 10p each
Stephen Wicks	2,820,000
Nishith Malde	2,280,000
Paul Brett	900,000

Since the start of the financial year the Inland Homes share price has traded between a low of 50.25 pence per ordinary share and a high of 73.25 pence per ordinary share. The performance target under the 2013 LTIP for the financial year ending on 30 June 2017, which would have earned the equivalent of a further 2,000,000 ordinary shares, was not achieved as the Inland Homes plc share price did not exceed the necessary threshold price of 84.2 pence per ordinary share for the qualifying period. Under the terms of the 2013 LTIP, the awards in this period can be earned in future periods if the share price exceeds the threshold price for the qualifying period. The threshold price for the new financial year, which commenced on 1 July 2017 and ends on 30 June 2018, which would earn a further 2,000,000 ordinary shares, is 92.6 pence per ordinary share.

Under the terms of the 2013 LTIP, there remain a total of 5,350,504 new ordinary shares that can be issued in exchange for vested Growth Shares, once the conditions have been met in accordance with the rules of the 2013 LTIP.

Directors' Report

The Directors present their report and the financial statements of the Group and the Company for the year ended 30 June 2017.

Results and dividends

The trading results for the year are set out in the Group Income Statement on page 67 and the Group's financial position at the end of the year is set out in the Group Statement of Financial Position on page 68. 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 1.2p per share (2016: 0.9p) payable on 26 January 2018, subject to Shareholders' approval, to Shareholders at the close of business on 29 December 2017.

Business review

A review of the development and performance of the business during the year and the future outlook of the Group is set out in the Chairman's Statement on pages 06 to 08 and the Chief Executive's Review on pages 30 to 33. The Group's key performance indicators are monitored closely by the Board and the details of performance against these are on pages 28 and 29.

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 existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail in note 26 to the Group financial statements.

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 25 to the Group financial statements.

Directors and their interests

Each of the Directors listed on pages 48 and 49 held office as at 30 June 2017. The Directors of the Company and their respective beneficial interests in the shares of the Company as at 30 June 2017 were as follows:

	As at 30 June 2017			As at 30 June 2016		
	Number of ordinary shares	**Number of Growth Shares**	**Number of share options**	Number of ordinary shares	Number of Growth Shares	Number of share options
S D Wicks	**13,737,332**	**470**	**—**	13,737,332	470	—
N Malde	**11,270,029**	**380**	**1,500,000**	11,270,029	380	1,500,000
P Brett	**4,204,214**	**150**	**400,000**	3,504,214	150	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.

Further information on the 2013 LTIP can be found in the Directors' Remuneration Report on page 57.

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 27 October 2017, 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	17,000,000	8.41
Henderson Global Investors	10,403,000	5.15
Premchand & Kanchangauri Shah	6,199,222	3.07
Downing LLP	6,099,432	3.02

Employee Benefit Trust

On 16 December 2016 the Group's Employee Benefit Trust purchased 600,000 shares of 10p each in Inland Homes plc under the terms of the Deferred Bonus Plan. The total consideration paid was £365,000.

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 a 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' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the 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 of the Group and Company and of the profit or loss of the Group and Company for that period.

The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union for the Group and UK Accounting standards for the Parent Company, 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 requirements of 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.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Post balance sheet events

On 5 July 2017 the Group acquired its joint venture partner's interest in two of the Project Helix subsidiaries which own the Lily's Walk and Buckingham House sites in High Wycombe for £10.3 million.

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 28 November 2017.

Auditor

A resolution to reappoint BDO 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
27 September 2017

Financials

Artist's impression of Cheshunt Lakeside,
Cheshunt, Hertfordshire

Contents

Independent Auditor's Report to the Members of Inland Homes plc

Opinion

We have audited the financial statements of Inland Homes plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2017 which comprise the Group income statement, the Group and Company statement of financial position, the Group statement of cash flows, the Group and Company statement of changes in equity and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties and carrying value of trading properties	
Risk	**Response**
The Group owns a portfolio of properties which are held as either investment properties or trading properties. Investment properties, including those in the course of development, are held at fair value in the Group financial statements. Trading properties are carried in the Group statement of financial position at the lower of cost and net realisable value. The valuation of the Group's investment properties has been carried out by the Directors. Determination of the fair value of investment properties and the carrying amount of trading properties is considered a significant audit risk due to the subjective nature of certain assumptions and the potential for management bias inherent in each valuation. Each valuation requires consideration of the individual nature of the property, its location, its cash flows and comparable market transactions. The majority of the Group's property interests are in the course of development. The valuation of these properties requires estimation of the expected sales value the completed developments will achieve with deductions for future build costs to completion, which requires significant judgements. Judgements in relation to future sales values and build costs in particular are impacted by the political and economic uncertainty arising from the result of the EU referendum. The valuation of the Group's income generating investment properties requires significant judgements to be made in relation to the appropriate market capitalisation yields and estimated rental values.	**Trading properties** As part of our audit work we assessed whether trading stock was included in the balance sheet at the lower of cost and net realisable value. We also undertook audit work in relation to the fair value of the investment properties and trading stock. Our audit work included, but was not restricted to, the following: • We agreed a sample of data used by valuers back to source documentation, including title deed and tenancy agreements. • We assessed the movement in the valuation of the property portfolio against our own expectations and challenged the directors or external valuers, as appropriate, for those valuations which fall outside of our range of expectations. • Where relevant we obtained any post year end sales agreements for whole sites to support the carrying value at the year end. • We obtained all copies of any planning permission documents received in the year to support the uplift in land values. • We obtained project appraisals prepared by the directors for each development and: — Reviewed and assessed costs to complete and compared these to developments of a similar nature; — Considered the historic accuracy of cost and sales forecasts; — Where properties have been exchanged, reserved or sold post year end, obtained support for a sample and compared the prices achieved to those in the development appraisals. Where no activity has occurred, we performed a comparison of prices achieved on similar properties sold or comparable market transactions; and — We visited the Group's development sites at Venture House, Wilton Park and The Pheasant and considered the stage of the development compared to the costs to complete in the project appraisal. **Investment properties** • We obtained the valuation schedules prepared by the directors and; — Evaluated the competence and capability of the director; — Confirmed that the basis of the valuation was in accordance with requirements of IFRS; and — Discussed the basis of the valuation, the assumptions used and the valuation movements in the year with the director; • We considered whether movements in the valuations are consistent with our own expectations based upon market comparable transactions and changes in industry benchmarks. • We challenged those valuations which fell outside of our expectations. • We reviewed the significant valuation inputs used by the directors against our own expectations, underlying supporting evidence and, where relevant, market data. • We obtained external valuations performed during the year, tested the inputs and compared the valuation and its inputs to the valuation prepared by the directors. • For a sample of investment properties we corroborated the rental income to supporting leases.

Independent Auditor's Report to the Members of Inland Homes plc

Revenue and profit recognition

Risk	Response
The group has numerous sources of revenue which comprise: • sale of land; • housebuilding; • contract income; • hotel revenue; and • rental income. Proceeds from the sale of land and buildings should only be recognised once the risks and rewards of ownership have passed to the buyer which is considered to be completion. Revenue and profits on house sales could be manipulated both through sales recognised before completion and also through management incorrectly allocating costs on different phases to skew the margin on multi-phase developments. There were a significant number of completions that occurred in June 2017 and we therefore also identified cut off as a significant audit risk. The accounting for the revenue from contract income is inherently complex and involves significant judgement particularly with regard to assessing the stage of completion of the project. This increases the inherent risk of fraud and management bias. Revenue from long term contracts is recognised based upon management's assessment of the value of works carried out, with regard to external quantity surveyor reports, having considered the anticipated programme of works and the costs incurred and to complete. Profit is recognised once the directors are able to make an estimate of the outcome with reasonable certainty.	Our audit work included, but was not restricted to, the following: **Sale of land and buildings** • We agreed a sample of sales to completion statement and the proceeds to bank. To address cut off, we tested all sales that occurred in June 2017 and ensured that completion took place pre year end. For post year end receipts we obtained the completion statement for the associated sale and ensured that it was recognised in the correct period. • We reviewed the realised margin on the land and building sales in the year compared to the expected margin obtained from the original development appraisal. • We reviewed the calculation and the basis upon which site wide costs had been allocated to the different stages of the development. We checked the calculation against the forecast appraisals to ensure that the allocation was in line with the split of future revenue for the different stages of the site. **Contract income** For each development contract we obtained copies of the construction contract and performed the following: • We agreed the total value of the development to the signed contract; • Reviewed the forecast profitability; • Verified the underlying stage of completion to the valuation certificate provided by each external quantity surveyor engaged to certify the value of the work completed; • Reviewed the key assumptions within each development appraisal against the contract terms and agreed details to supporting documentation where relevant; • Assessed the stage of completion against the proportion of profit recognised to date.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the Group financial statements as a whole was set at £1.18 million. This was determined with reference to a benchmark of profit before tax (PBT) and represents 7% of PBT. This was considered to be the most appropriate measurement given the trading nature of the business. The materiality for the Parent Company was set at £895k which was calculated at 1.5% of total assets. This was considered the most appropriate measure given that the nature of the entity is as a holding company.

Performance materiality was set at 60% of the above materiality level.

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £25,000. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement at the Group level. Audit work to respond to the assessed risks was performed directly by the Group audit engagement team which performed full scope audit procedures on each of the Group's component entities. Our audit work at each of these components was executed at levels of materiality applicable to the relevant component, which in each instance was lower than Group materiality.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and their environments obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Independent Auditor's Report to the Members of Inland Homes plc

Responsibilities of directors

As explained more fully in the directors' responsibilities statement the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Thomas Edward Goodworth
(Senior Statutory Auditor)
For and on behalf of BDO LLP,
Statutory Auditor
London
United Kingdom
Date: 27 September 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Group Income Statement

For the year ended 30 June 2017

Continuing operations	Note	2017 £000	2016 £000 restated
Revenue	4	**90,727**	101,910
Cost of sales	4	**(71,226)**	(72,329)
Gross profit		**19,501**	29,581
Administrative expenses	5	**(7,565)**	(6,297)
Profit on sale of PPE		**—**	9
Provision for doubtful debt	17	**—**	(1,106)
Gain on sale of subsidiary		**5,988**	—
Gain on sale of joint venture		**6,965**	—
Share of loss of associates	14	**(238)**	(138)
Share of profit/(loss) of joint ventures	14	**13**	(232)
Loss on investments		**(1)**	—
Revaluation of investment properties	12	**1,466**	18,015
Operating profit		**26,129**	39,832
Finance cost – interest expense	7	**(6,998)**	(6,576)
Finance income – interest receivable and similar income	8	**458**	477
Profit before tax		**19,589**	33,733
Income tax	9	**(3,810)**	(4,841)
Total profit and comprehensive income for the year		**15,779**	28,892
Attributable to:			
– Shareholders of the Company		**15,779**	28,293
– Non-controlling interests		**—**	599
Earnings per share for profit attributable to the equity holders of the Company during the year			
– basic	10	**7.82p**	14.01p
– diluted	10	**7.46p**	13.38p

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

Group and Company Statement of Financial Position at 30 June 2017

	Note	Group 2017 £000	Group 2016 £000 restated	Group 2015 £000 restated	Company 2017 £000	Company 2016 £000
ASSETS						
Non-current assets						
Investment properties	12	**53,558**	51,705	34,000	**—**	—
Property, plant and equipment	13	**688**	480	332	**3**	5
Investment in subsidiaries	14	**—**	—	—	**12,472**	12,472
Investment in associates	14	**1,125**	113	—	**—**	—
Amounts due from associate in more than one year	17	**5,763**	894	—	**—**	—
Investment in joint ventures	14	**164**	1,216	1,488	**—**	—
Loans to joint ventures due in more than one year	14	**—**	—	3,246	**—**	—
Receivables due in more than one year	17	**5,830**	55	55	**—**	—
Deferred tax due in more than one year	15	**—**	—	548	**626**	539
Total non-current assets		**67,128**	54,463	39,669	**13,101**	13,016
Current assets						
Inventories	16	**139,898**	148,438	121,795	**—**	—
Trade and other receivables	17	**22,491**	6,816	7,998	**51,643**	40,307
Amounts due from associate	17	**—**	3,372	—	**—**	—
Amounts due from joint ventures	17	**18,267**	10,103	—	**—**	—
Listed investments carried at fair value through profit and loss	18	**—**	1	1	**—**	1
Cash and cash equivalents	19	**26,459**	16,723	21,377	**107**	10,826
Total current assets		**207,115**	185,453	151,171	**51,750**	51,134
Total assets		**274,243**	239,916	190,840	**64,851**	64,150
EQUITY						
Capital and reserves attributable to the Company's equity holders						
Share capital	20	**20,366**	20,281	20,281	**20,366**	20,281
Share premium account		**34,336**	34,033	34,033	**34,336**	34,033
Employee benefit trust		**(1,078)**	(713)	(382)	**(1,078)**	(713)
Special reserve		**6,059**	6,059	6,059	**6,059**	6,059
Retained earnings		**70,867**	56,687	29,570	**4,476**	3,930
Total equity attributable to shareholders of the Company		**130,550**	116,347	89,561	**64,159**	63,590
Non-controlling interests		**—**	—	272	**—**	—
Total equity		**130,550**	116,347	89,833	**64,159**	63,590
LIABILITIES						
Current liabilities						
Bank loans and overdrafts	26	**—**	19,010	25,192	**—**	—
Other loans	26	**—**	21,135	18,724	**—**	—
Trade and other payables	21	**20,537**	18,656	14,862	**692**	560
Corporation tax	21	**6,532**	7,618	6,347	**—**	—
Other financial liabilities	22	**20,130**	22,369	10,881	**—**	—
Total current liabilities		**47,199**	88,788	76,006	**692**	560
Non-current liabilities						
Zero Dividend Preference shares	22	**17,291**	14,607	12,372	**—**	—
Bank loans due in more than one year	26	**63,227**	16,535	—	**—**	—
Other loans due in more than one year	26	**13,950**	—	—	**—**	—
Other financial liabilities	22	**—**	—	12,629	**—**	—
Payables due in more than one year	21	**—**	2,679	—	**—**	—
Deferred tax due in more than one year	15	**2,026**	960	—	**—**	—
Total non-current liabilities		**96,494**	34,781	25,001	**—**	—
Total equity and liabilities		**274,243**	239,916	190,840	**64,851**	64,150

The Parent Company profit and total comprehensive income for the year was £2,932,000 (2016 loss: £2,930,000).

The financial statements were approved and authorised for issue by the Board of Directors on 27 September 2017.

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 2017

	Share capital £000	Share premium £000	Employee Benefit Trust £000	Special reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total equity £000
At 30 June 2015 (pre-adjustment)	20,281	34,033	(382)	6,059	28,806	88,797	272	89,069
Adjustment for the application of IAS 23	—	—	—	—	764	764	—	764
At 30 June 2015 (restated)	20,281	34,033	(382)	6,059	29,570	89,561	272	89,833
Share-based payments	—	—	—	—	665	665	—	665
Dividend payment	—	—	—	—	(2,832)	(2,832)	—	(2,832)
Purchase of own shares for deferred bonus plan	—	—	(331)	—	—	(331)	—	(331)
Transactions with owners	—	—	(331)	—	(2,167)	(2,498)	—	(2,498)
Non-controlling interest acquired during the year	—	—	—	—	871	871	(871)	—
Surplus arising on acquisition of non-controlling interests	—	—	—	—	120	120	—	120
Total comprehensive income for the year	—	—	—	—	28,293	28,293	599	28,892
Total changes in equity	—	—	(331)	—	27,117	26,786	(272)	26,514
At 30 June 2016 (restated)*	20,281	34,033	(713)	6,059	56,687	116,347	—	116,347
Share-based payments	—	—	—	—	1,251	1,251	—	1,251
Dividend payment	—	—	—	—	(2,850)	(2,850)	—	(2,850)
Issue of ordinary shares	85	303	—	—	—	388	—	388
Purchase of own shares for deferred bonus plan	—	—	(365)	—	—	(365)	—	(365)
Transactions with owners	85	303	(365)	—	(1,599)	(1,576)	—	(1,576)
Total comprehensive income for the year	—	—	—	—	15,779	15,779	—	15,779
Total changes in equity	85	303	(365)	—	14,180	14,203	—	14,203
At 30 June 2017	**20,366**	**34,336**	**(1,078)**	**6,059**	**70,867**	**130,550**	**—**	**130,550**

During the year the Company paid dividends of 1.4p per share (2016: 1.1p). Further information can be found in note 11.

*A prior year adjustment was made. Further information can be found in note 29. The effect of this adjustment on the balance at 30 June 2016 is as follows:

	Share capital £000	Share premium £000	Employee Benefit Trust £000	Special reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total equity £000
At 30 June 2016 (pre-adjustment)	20,281	34,033	(713)	6,059	56,372	116,032	—	116,032
2015 adjustment	—	—	—	—	764	764	—	764
Recognition of deferred tax	—	—	—	—	(1,298)	(1,298)	—	(1,298)
Adjustment for the application of IAS 23	—	—	—	—	849	849	—	849
At 30 June 2016 (restated)	20,281	34,033	(713)	6,059	56,687	116,347	—	116,347

Company Statement of Changes in Equity

For the year ended 30 June 2017

	Share capital £000	Share premium £000	Employee Benefit Trust £000	Special reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total equity £000
At 30 June 2015	20,281	34,033	(382)	6,059	9,027	69,018	—	69,018
Share-based payments	—	—	—	—	665	665	—	665
Dividend payment	—	—	—	—	(2,832)	(2,832)	—	(2,832)
Purchase of own shares for deferred bonus plan	—	—	(331)	—	—	(331)	—	(331)
Transactions with owners	—	—	(331)	—	(2,167)	(2,498)	—	(2,498)
Total comprehensive income for the year	—	—	—	—	(2,930)	(2,930)	—	(2,930)
Total changes in equity	—	—	(331)	—	(5,097)	(5,428)	—	(5,428)
At 30 June 2016	20,281	34,033	(713)	6,059	3,930	63,590	—	63,590
Share-based payments	—	—	—	—	464	464	—	464
Dividend payment	—	—	—	—	(2,850)	(2,850)	—	(2,850)
Issue of ordinary shares	85	303	—	—	—	388	—	388
Purchase of own shares for deferred bonus plan	—	—	(365)	—	—	(365)	—	(365)
Transactions with owners	85	303	(365)	—	(2,386)	(2,363)	—	(2,363)
Total comprehensive income for the year	—	—	—	—	2,932	2,932	—	2,932
Total changes in equity	85	303	(365)	—	546	569	—	569
At 30 June 2017	**20,366**	**34,336**	**(1,078)**	**6,059**	**4,476**	**64,159**	**—**	**64,159**

During the year the Company paid dividends of 1.4p per share (2016: 1.1p). Further information can be found in note 11.

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 and this was put in the Special Reserve, which is a distributable reserve. A copy of this resolution is available from Companies House.

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

Group Statement of Cash Flows

For the year ended 30 June 2017

	Note	2017 £000	2016 £000 restated
Cash flow from operating activities			
Profit for the year before tax		**19,589**	33,733
Adjustments for:			
– depreciation	13	**242**	179
– profit on disposal of property, plant and equipment		**—**	(9)
– share-based payments		**1,251**	665
– revaluation of investment properties		**(1,466)**	(18,015)
– gain on disposal of subsidiary		**(5,988)**	—
– gain on disposal of joint venture		**(6,965)**	—
– interest expense		**6,998**	6,576
– interest and similar income		**(458)**	(477)
– share of (profit)/loss of joint ventures		**(13)**	232
– share of loss of associates		**238**	138
Corporation tax payments		**(3,576)**	(2,158)
Change in working capital:			
– increase in inventories		**(6,926)**	(16,797)
– decrease in trade and other receivables		**6,120**	669
– decrease in trade and other payables		**(7,438)**	(2,781)
Net cash inflow from operating activities		**1,608**	1,955
Cash flow from investing activities			
Interest received		**344**	—
Purchases of property, plant and equipment	13	**(450)**	(329)
Purchases of investment property	12	**(387)**	(1,021)
Sale of property, plant and equipment		**—**	12
Acquisition of subsidiaries		**—**	(804)
Proceeds from sale of investments		**1**	—
Proceeds from sale of subsidiary		**5,750**	—
Loans provided to joint ventures		**(10,854)**	(5,810)
Investment in joint ventures		**(46)**	(202)
Loans provided to associate		**(2,478)**	(4,266)
Amounts repaid by associate		**1,072**	—
Investment in associate		**(125)**	(251)
Net cash outflow from investing activities		**(7,173)**	(12,671)
Cash flow from financing activities			
Interest paid		**(4,450)**	(5,203)
Repayment of borrowings		**(48,714)**	(28,417)
New loans		**71,291**	42,845
Net proceeds on issue of ordinary shares		**389**	—
Equity dividends paid to ordinary shareholders	11	**(2,850)**	(2,832)
Purchase of own shares for Long Term Incentive Plan		**(365)**	(331)
Net cash inflow from financing activities		**15,301**	6,062
Net increase/(decrease) in cash and cash equivalents		**9,736**	(4,654)
Net cash and cash equivalents at beginning of year		**16,723**	21,377
Net cash and cash equivalents at end of year		**26,459**	16,723

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

Notes to the Group Financial Statements

For the year ended 30 June 2017

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 certain financial instruments and investment properties 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. These financial statements have also been prepared in accordance with those parts of the Companies Act 2006 that are relevant to companies that prepare their financial statements in accordance with IFRS.

The consolidated financial statements present the results of the Group as if it formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

Each year the Group reassesses its judgements in relation to accounting policies which it has adopted. During a review of properties held within inventories the Directors were of the opinion that the Wilton Park site meets the criteria for the capitalisation of interest required under IAS 23 Borrowing Costs. Further information on this assessment can be found in note 3. Further information on the financial impact of this reassessment can be found in note 29.

Disclosure exemptions adopted

In preparing the financial statements of the Parent Company, advantage has been taken of all disclosure exemptions conferred by FRS 101. Therefore, the Parent Company financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- disclosure of related party transactions with other wholly owned members of the group headed by Inland Homes plc.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Inland Homes plc. The Parent Company financial statements do not include certain disclosures in respect of:

- Financial Instruments (other than certain disclosures required as a result of recording financial instruments at fair value); and
- Fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements.

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.

Standards in issue but not yet effective

New standards and interpretations currently in issue but not effective, based on EU mandatory effective dates, for accounting periods commencing on 1 July 2016 are:

- IFRS 15 Revenue from Contracts with Customers (EU effective date 1 January 2018)
- IFRS 9 Financial Instruments (EU effective date 1 January 2018)
- IFRS 16 Leases (EU effective date 1 January 2019)
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (EU effective date 1 January 2017)
- Amendments to IAS 7 Disclosure Initiative (EU effective date 1 January 2017)
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (EU effective date 1 January 2018)
- Amendments to IFRS 1 – Annual Improvements to IFRSs (2014-2016 cycle) (EU effective date 1 January 2018)
- Amendments to IAS 28 – Annual Improvements to IFRSs (2014-2016 cycle) (EU effective date 1 January 2018)
- Amendments to IFRS 12 – Annual Improvements to IFRSs (2014-2016 cycle) (EU effective date 1 January 2017)
- Amendments to IAS 40 – Transfers of Investment Property (EU effective date 1 January 2018)
- IFRIC 23 Uncertainty over Income Tax Treatments (EU effective date 1 January 2019)

1. Accounting Policies continued

IFRS 9 – The Group is currently assessing the impact of the revisions on the Group's results and financial position. IFRS 9 may impact on the measurement of long term receivables, but the Directors do not expect the standard to have a material impact on the Group.

IFRS 15 – The Directors consider that there is a potential impact on adoption of the standard on the accounting for long term construction contracts. This currently represents less than 5% of the total revenue stream, any impact is therefore considered unlikely to have a material impact on current contracts and will be dependent on the terms of the individual contracts in place at the time IFRS 15 is adopted. The Directors are in the process of assessing the impact of the new standard on future construction contracts. Given the Group's pipeline such contracts may form a greater proportion of total revenue in future years. Whilst the directors consider that other areas are not expected to be materially affected by IFRS 15, a full impact analysis will be undertaken in the financial year 2018.

IFRS 16 – It is expected that the Group's lease commitment at the head office will be brought onto the statement of financial position together with the corresponding assets. The Directors are currently negotiating the terms of a new lease, and therefore the quantum is currently unknown.

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 at least 12 months from signing these financial statements. The Directors therefore consider it appropriate to prepare the financial statements on the going concern basis.

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 2017. Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the subsidiary; exposure, or rights to, the variable returns from its involvement with the subsidiary; and the ability to affect those returns through its power over the subsidiary. The Group obtains and exercises control through voting rights, development agreements and option agreements. Further information can be found in note 3.

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 and non-controlling interests 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 and non-controlling interests of the acquired subsidiary at the date of acquisition.

At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. Where such acquisitions are not judged to be the acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based upon their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

Notes to the Group Financial Statements

For the year ended 30 June 2017

1. Accounting Policies continued

Joint ventures

Joint ventures are entities in which the Group has shared control with another entity, established by contractual agreement. Jointly controlled entities are accounted for using the equity method from the date that joint control is obtained to the date that the joint control of the entity ceases. 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 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 the net results of the Group. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of assets and liabilities. If the share of losses equals its investment, the Group does not recognise further losses, except to the extent that there are amounts receivable that may not be recovered or there are further commitments to provide funding. Both realised and unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's investment in joint ventures. Realised and unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the joint ventures are consistent with those of the Group.

Associates

Where the Group has significant influence but not control or joint control over the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recorded in the Group Balance Sheet at cost. Changes resulting from the Group's share of post-acquisition profits and losses are recognised in the Group's carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are reported in 'share of profits of associate' in the Group Income Statement and therefore affect the net results of the Group. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of assets and liabilities. If the share of losses equals its investment, the Group does not recognise further losses, except to the extent that there are amounts receivable that may not be recovered or there are further commitments to provide funding. The accounting policies of the associate are consistent with those of the Group.

Business combinations

At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. Where such acquisitions are not judged to be the acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based upon their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

Revenue

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

Sale of land and residential units

Revenue from the sale of land is recognised on legal completion 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 when contracts have been completed, which is when title passes;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the land sold which is 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.

Contract income

The Group acts as a main contractor on certain building projects, primarily on behalf of housing associations where the Group must provide social housing units as part of its S106 obligations under the planning consent or has sold the land to the housing association and entered into a construction contract to provide the completed units. 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. The stage of completion is determined by reference to the valuation certificate provided by a third party surveyor engaged to certify the value of works completed at various intervals in respect of the contract sum.

1. Accounting Policies continued

Golden brick income

On sites where the Group acts as a main contractor the contract income is usually preceded by a land sale which takes place once construction has reached one level of bricks above the damp proof course. This is authorised by an agent of the purchaser and at this point title passes.

Interest receivable

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, 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.

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 reviewed as required, but at least annually.

Investment property

Investment properties are those properties which are not occupied by the Group and which are held for long-term rental yields, capital appreciation or both. Investment property also includes property that will be developed for future use as investment property.

Investment properties are initially measured at cost, including related transaction costs. At each subsequent reporting date they are remeasured to their fair value. Movements in fair value are included in the Group Income Statement.

Subsequent expenditure is capitalised to the asset's carrying value only where it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Any gain or loss resulting from the sale of an investment property is immediately recognised in the Group Income Statement. An investment property shall be derecognised on disposal. When the Directors consider that the status of the property has changed to being a development property it is transferred to inventories. A property is transferred to inventories when it has been decided that the units being constructed will be sold and no future rental income is expected. When a partial disposal or transfer is made, the proportion relating to the disposal or transfer is derecognised.

Where the Group employs professional valuers the valuations provided are subject to a comprehensive review to ensure they are based on accurate and up-to-date tenancy and market information. Discussions are also held with the valuers to test the valuation assumptions applied and comparable evidence utilised to ensure they are appropriate in the circumstances.

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.

Notes to the Group Financial Statements

For the year ended 30 June 2017

1. Accounting Policies continued

Taxation

Current tax is the tax currently payable based on taxable profit for the period calculated using tax rates and laws substantively enacted at the reporting date.

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 and laws 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 or directly in equity in which case the related deferred tax is also recognised in other comprehensive income or equity respectively.

Leased assets

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

Employee benefits

Defined contribution retirement benefit 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 shared-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 for share options and the Monte Carlo simulation technique for LTIPs. 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. The Black–Scholes model is used to value the share options because it relies on fixed inputs and the options do not have non-standard features. The Monte Carlo simulation is more suitable to value LTIPs as they depend on the share price changing over time and therefore have more complex vesting conditions than the share options.

Share options are awarded to all eligible members of staff on a discretionary basis and there are no service or performance conditions attached to them, other than that the member of staff awarded the options are still employed by the Company at the time of the options being exercised. LTIPs are awarded to the three Executive Directors based on share price performance as explained in the Remuneration Report.

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 or LTIPs expected to vest. Estimates are subsequently revised if there is any indication that the number of share options or LTIPs 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 or LTIPs ultimately exercised are different to that estimated on vesting.

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

The Executive Directors receive 50% of bonuses in shares which are purchased by the Employee Benefit Trust and the remaining 50% in cash. The number of shares purchased correspond to the number of shares which would have been able to be purchased at the closing price on 30 June for the relevant year. The shares will be transferred to the Directors three years after the award date. The amount of the bonus awarded each year is explained in the Remuneration Report.

1. Accounting Policies continued

Employee Benefit Trust

The Directors consider that the Employee Benefit Trust (EBT) is under the de facto control of the Company as the trustees look to the Directors to determine how to dispense the assets. Therefore the assets and liabilities of the EBT have been consolidated into the Group accounts. The EBT's investment in the Company's shares is eliminated on consolidation and shown as a deduction against equity. Any assets in the EBT will cease to be recognised in the Group Statement of Financial Position when those assets vest unconditionally in identified beneficiaries.

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 or loss are initially recognised at fair value plus transaction costs. Financial assets categorised 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 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.

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 associates and joint ventures 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 income resulting from holding financial assets are recognised in the Group Income Statement.

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 flow 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.

Borrowing costs

The Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset where developments are considered to fall under the requirements of IAS 23 Borrowing Costs (Revised). Qualifying assets are those which are being constructed over a significant period of time, which Inland interpret to be over 12 months, and are complex in their nature. The majority of the Group's sites involve the development of large volumes of properties in a repetitive manner. The Group therefore expenses borrowing costs relating to such developments in the period to which they relate through the income statement 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. Currently, the group capitalises borrowing costs only in relation to the site at Wilton Park and its joint venture site at Cheshunt as these are the only sites that are considered sufficiently complex in nature and will take over 12 months to develop.

Notes to the Group Financial Statements

For the year ended 30 June 2017

1. Accounting Policies continued

Financial liabilities

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

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

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged, 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. Interim dividends are recognised when paid.

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;
- 'Employee benefit trust' represents the purchase of the Company's own shares and are deducted from total equity until they are issued to employees under the Long Term Incentive Plan;
- 'Special reserve' represents the distributable surplus created by the transfer of an amount from the share premium to rectify the deficit which existed on the retained earnings reserve; and
- 'Retained earnings reserve' represents retained profits

2. Segment Information

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

In identifying its operating segments, management differentiates between land sales, housebuilding, contract income, rental income, hotel income, investments, investment properties, management fees and other income. These segments are based on the information reported to the chief operating decision maker and represent the activities which generate significant revenues, profits and use of resources within the Group. An analysis of the Group's results by segment is disclosed in note 4.

3. 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 (note 16)

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 cost of acquisition 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 receipt of planning consent (see below) further increases the level of estimation uncertainty in this area.

(b) Income taxes (notes 9 & 15)

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 and the period over which they are estimated.

(c) Fair value of derivatives and other financial instruments (note 26)

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 makes assumptions that are mainly based on market conditions existing.

(d) Fair value of investment properties (note 12)

The fair value of materially completed investment property is determined by independent valuation experts using the open market value of existing use method, subject to current leases and restrictions, as this has been assessed currently as the best use of these assets. Investment properties awaiting construction are valued by the Directors using an appraisal system; critical accounting estimates relate to the forecasts prepared in order to assess the carrying value.

(e) Discounting on deferred consideration of inventories, disposal of joint ventures and acquisition of shares (notes 7, 14 & 16)

The Group discounts deferred consideration using the discounted cash flow method; the Group considers that the cost of debt capital is the most appropriate discount rate and this is a significant estimate.

Critical judgements in applying the entity's accounting policies

Inventories (note 16)

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 granted 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. The cost value is based on actual costs incurred at the date of signing the financial statements with an estimation of costs to complete. The judgement of costs to complete is based on the Directors' experience and if actual plus projected costs are higher than net realisable value then a provision would be required against inventories.

Capitalisation of borrowing costs (notes 16 & 29)

The Group capitalises borrowing costs where there is a qualifying asset. The Directors must assess each site held with inventories each year in order to judge whether or not the site is a qualifying asset. In prior years all borrowing costs were expensed to the Group Income Statement however this year the Wilton Park development and the Cheshunt joint venture were, in the opinion of the Directors, judged to be qualifying assets in line with the requirements of IAS 23 Borrowing Costs. This is due to the long term, complex nature of these developments which will take several years before parts of it are sold or developed. This has resulted in borrowing costs related to this site to be capitalised in the current and prior years. For other sites the Group expenses borrowing costs due to the quantity and repetitive nature of the process adopted. In many cases such developments may take longer than 12 months. The Directors are therefore required to exercise judgement as to whether or not a site represents a qualifying asset.

Notes to the Group Financial Statements

For the year ended 30 June 2017

3. Critical Accounting Estimates and Judgements continued

Investment in joint ventures (note 14)

The Group's joint venture investment in Project Helix Holdco Limited (Project Helix) is not in equal share (the Group owns 20% of the share capital of Project Helix) however the Group has had joint control over the activities of the company with the other party due to its entitlement to veto any decisions. In addition the Group and the other party to the agreement only have rights to the net assets of these companies through the terms of the contractual arrangements. Within Project Helix there is a ratchet mechanism which depends on the amount of profit each development contributes to the joint venture. Therefore this entity has been classified as a joint venture and is accounted for using the equity method.

The Group's joint venture investments in Bucknalls Developments Limited (Bucknalls), Cheshunt Lakeside Developments Limited (formerly Inland (Stonegate) Limited) and Gardiners Park LLP are 50/50 joint ventures and the Group has joint control over the activities of the companies with the other parties and has an entitlement to veto any decisions. The Group and the other parties to the agreements only have rights to the net assets of these companies through the terms of the contractual arrangements. Within these three joint ventures the Group is entitled to 50% of the net assets. Therefore these entities are classified as joint ventures and are accounted for using the equity method.

Investment in associates (note 14)

The Group has a 25% investment in Troy Homes Limited. It has significant influence over that entity but does not have joint control. Therefore the investment is classified as an associate and is accounted for using the equity method.

4. Group Income and Segmental Analysis

The Group generates income by way of land sales. It also generates income from housebuilding, contracting, rental income, hotel income, investments, investment properties and management fees. 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

2016 restated	Land sales £000	House building £000	Contract income £000	Rental income £000	Hotel income £000	Investments £000	Investment properties £000	Management fees £000	Other £000	Total
Revenue	43,311	51,458	2,936	2,089	1,704	—	—	—	412	101,910
Cost of sales	(26,229)	(40,203)	(3,665)	(408)	(1,696)	—	—	—	(128)	(72,329)
Gross profit	17,082	11,255	(729)	1,681	8	—	—	—	284	29,581
Administrative expenses	—	—	—	—	—	—	—	—	(6,297)	(6,297)
Profit on sale of fixed assets	—	—	—	—	—	—	—	—	9	9
Provision for doubtful debt	—	—	—	—	—	—	—	—	(1,106)	(1,106)
Share of loss of associates	—	—	—	—	—	(138)	—	—	—	(138)
Share of loss of joint ventures	—	—	—	—	—	(232)	—	—	—	(232)
Revaluation of investment properties	—	—	—	—	—	—	18,015	—	—	18,015
Operating profit/(loss)	17,082	11,255	(729)	1,681	8	(370)	18,015	—	(7,110)	39,832
Finance (cost)/income	(3,407)	(1,246)	—	—	—	392	(997)	—	(841)	(6,099)
Profit/(loss) before tax	13,675	10,009	(729)	1,681	8	22	17,018	—	(7,951)	33,733
Income tax	(2,565)	(2,002)	146	(336)	(2)	(4)	(2,085)	—	2,007	(4,841)
Total profit/(loss) for the year	11,110	8,007	(583)	1,345	6	18	14,933	—	(5,944)	28,892

4. Group Income and Segmental Analysis continued

2017	Land sales £000	House building £000	Contract income £000	Rental income £000	Hotel income £000	Investments £000	Investment properties £000	Management fees £000	Other £000	Total
Revenue	22,384	57,771	3,112	2,358	2,623	—	—	2,479	—	**90,727**
Cost of sales	(16,229)	(49,039)	(3,361)	(279)	(2,411)	—	—	—	93	**(71,226)**
Gross profit/(loss)	6,155	8,732	(249)	2,079	212	—	—	2,479	93	**19,501**
Administrative expenses	—	—	—	—	—	—	—	—	(7,565)	**(7,565)**
Gain on sale of subsidiary	5,988	—	—	—	—	—	—	—	—	**5,988**
Gain on sale of joint venture	—	—	—	—	—	6,965	—	—	—	**6,965**
Share of loss of associates	—	—	—	—	—	(238)	—	—	—	**(238)**
Share of loss of joint ventures	—	—	—	—	—	13	—	—	—	**13**
Loss on investments	—	—	—	—	—	—	—	—	—	**(1)**
Revaluation of investment properties	—	—	—	—	—	—	1,466	—	—	**1,466**
Operating profit/(loss)	12,143	8,732	(249)	2,079	212	6,739	1,466	2,479	(7,472)	**26,129**
Finance (cost)/income	(3,902)	(776)	—	—	—	436	(920)	—	(1,378)	**(6,540)**
Profit/(loss) before tax	8,241	7,956	(249)	2,079	212	7,175	546	2,479	(8,850)	**19,589**
Income tax	(1,566)	(1,512)	47	(395)	(40)	40	(1,259)	—	875	**(3,810)**
Total profit/(loss) for the year	6,675	6,444	(202)	1,684	172	7,215	(713)	2,479	(7,975)	**15,779**

Included within the 'Land sales' segment is land sales to housing associations which include construction works to 'Golden Brick'. The construction works to completion are included in the 'Contracting income' segment.

Included with the 'Housebuilding' segment are the sales of freehold reversions and customers' extras that arise as a by-product of house building activity.

Items included within 'Other' above do not produce significant income streams and are therefore not monitored separately by the Board, but as a group.

	2017 £000	2016 £000
Transactions with customers making up 10% or more of revenue		
Land sales customer 1	**—**	15,077
Land sales customer 2	**—**	14,000
	—	29,077

All assets and revenues arose solely in the United Kingdom.

Notes to the Group Financial Statements

For the year ended 30 June 2017

4. Group Income and Segmental Analysis continued

2016 restated	Land £000	House building £000	Contracting £000	Partnership housing £000	Hotel £000	Investments £000	Investment properties £000	Other £000	Total
ASSETS									
Non-current assets									
Investment properties	—	—	—	—	—	—	51,705	—	51,705
Property, plant and equipment	—	—	—	—	—	—	—	480	480
Investment in associate	—	—	—	—	—	113	—	—	113
Loan to associate due in more than one year	—	—	—	—	—	894	—	—	894
Investment in joint ventures	—	—	—	—	—	1,216	—	—	1,216
Receivables due in more than one year	—	55	—	—	—	—	—	—	55
Total non-current assets	—	55	—	—	—	2,223	51,705	480	54,463
Current assets									
Inventories	100,686	47,661	75	—	16	—	—	—	148,438
Trade and other receivables	3,420	162	440	—	172	402	3	2,217	6,816
Amounts due from associate	—	—	—	—	—	—	—	3,372	3,372
Amounts due from joint ventures	—	—	—	—	—	—	—	10,103	10,103
Listed investments carried at fair value through profit and loss	—	—	—	—	—	1	—	—	1
Cash and cash equivalents	—	—	—	—	—	—	—	16,723	16,723
Total current assets	104,106	47,823	515	—	188	403	3	32,415	185,453
Total assets	104,106	47,878	515	—	188	2,626	51,708	32,895	239,916
EQUITY									
Capital and reserves attributable to the Company's equity holders									
Share capital	—	—	—	—	—	—	—	20,281	20,281
Share premium account	—	—	—	—	—	—	—	34,033	34,033
Employee benefit trust	—	—	—	—	—	—	—	(713)	(713)
Special reserve	—	—	—	—	—	—	—	6,059	6,059
Retained earnings	—	—	—	—	—	—	—	56,687	56,687
Total equity	—	—	—	—	—	—	—	116,347	116,347
LIABILITIES									
Current liabilities									
Bank loans and overdrafts	105	—	—	—	—	—	18,905	—	19,010
Other loans	21,135	—	—	—	—	—	—	—	21,135
Trade and other payables	11,824	3,412	—	—	508	215	446	2,251	18,656
Corporation tax	—	—	—	—	—	—	—	7,618	7,618
Other financial liabilities	22,369	—	—	—	—	—	—	—	22,369
Total current liabilities	55,433	3,412	—	—	508	215	19,351	9,869	88,788
Non-current liabilities									
Zero Dividend Preference shares	—	—	—	—	—	—	—	14,607	14,607
Bank loans due in more than one year	859	15,676	—	—	—	—	—	—	16,535
Payables due in more than one year	2,679	—	—	—	—	—	—	—	2,679
Deferred tax due in more than one year	(463)	(21)	—	—	—	(102)	2,085	(539)	960
Total non-current liabilities	3,075	15,655	—	—	—	(102)	2,085	14,068	34,781
Total equity and liabilities	58,508	19,067	—	—	508	113	21,436	140,284	239,916

4. Group Income and Segmental Analysis continued

2017	Land £000	House building £000	Contracting £000	Partnership housing £000	Hotel £000	Investments £000	Investment properties £000	Other £000	Total
ASSETS									
Non-current assets									
Investment properties	—	—	—	—	—	—	53,558	—	**53,558**
Property, plant and equipment	—	—	—	—	—	—	—	688	**688**
Investment in associate	—	—	—	—	—	1,125	—	—	**1,125**
Loans to associates due in more than one year	—	—	—	—	—	5,763	—	—	**5,763**
Investment in joint ventures	—	—	—	—	—	164	—	—	**164**
Receivables due in more than one year	—	31	—	—	—	5,799	—	—	**5,830**
Total non-current assets	—	31	—	—	—	12,851	53,558	688	**67,128**
Current assets									
Inventories	85,131	51,873	445	2,449	—	—	—	—	**139,898**
Trade and other receivables	13,931	1,297	1,499	—	262	5,000	36	466	**22,491**
Amounts due from associates	—	—	—	—	—	—	—	—	**—**
Amounts due from joint ventures	—	—	—	—	—	18,267	—	—	**18,267**
Cash and cash equivalents	—	—	—	—	—	—	—	26,459	**26,459**
Total current assets	99,062	53,170	1,944	2,449	262	23,267	36	26,925	**207,115**
Total assets	99,062	53,201	1,944	2,449	262	36,118	53,594	27,613	**274,243**
EQUITY									
Capital and reserves attributable to the Company's equity holders									
Share capital	—	—	—	—	—	—	—	20,366	**20,366**
Share premium account	—	—	—	—	—	—	—	34,336	**34,336**
Employee benefit trust	—	—	—	—	—	—	—	(1,078)	**(1,078)**
Special reserve	—	—	—	—	—	—	—	6,059	**6,059**
Retained earnings	—	—	—	—	—	—	—	70,867	**70,867**
Total equity attributable to shareholders of the Company	—	—	—	—	—	—	—	130,550	**130,550**
LIABILITIES									
Current liabilities									
Trade and other payables	6,682	7,458	1,240	316	512	1,201	333	2,795	**20,537**
Corporation tax	—	—	—	—	—	—	—	6,532	**6,532**
Other financial liabilities	20,130	—	—	—	—	—	—	—	**20,130**
Total current liabilities	26,812	7,458	1,240	316	512	1,201	333	9,327	**47,199**
Non-current liabilities									
Zero Dividend Preference shares	—	—	—	—	—	—	—	17,291	**17,291**
Bank loans due in more than one year	17,068	19,863	—	—	—	—	26,296	—	**63,227**
Other loans due in more than one year	13,950	—	—	—	—	—	—	—	**13,950**
Deferred tax due in more than one year	—	(607)	—	—	—	(85)	3,344	(626)	**2,026**
Total non-current liabilities	31,018	19,256	—	—	—	(85)	29,640	16,665	**96,494**
Total equity and liabilities	57,830	26,714	1,240	316	512	1,116	29,973	156,542	**274,243**

Included within land inventories above is £5.7 million relating to the hotel.

Notes to the Group Financial Statements

For the year ended 30 June 2017

5. Expenses by Nature

	2017 £000	2016 £000
Depreciation	**242**	179
Operating lease rentals	**124**	134
Employee costs	**5,042**	4,027
Share based payment expense	**463**	665
Fees paid to BDO LLP in respect of:		
– audit of the company	**6**	6
Other services:		
– audit of subsidiaries and associates	**113**	71
– audit related assurance services	**16**	15
– taxation compliance and advisory services	**100**	25

6. Employee Benefit Expenses

The employee benefit expense (including Directors) during the year was as follows:

	2017 £000	2016 £000
Wages and salaries	**5,700**	3,760
Social security costs	**657**	531
Pension costs – defined contribution plans	**70**	57
	6,427	4,348
Amount capitalised to inventories	**(1,385)**	(321)
	5,042	4,027

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

	2017	2016
Management	**8**	7
Administration	**51**	26
	59	33

Please see the table on the remuneration report on page 57 for details of the employees benefits expense of the Directors.

Short and long term employee benefits and share-based payments in respect of key personnel (excluding Directors) were as follows:

	2017 £000	2016 £000
Wages and salaries	**817**	441
Bonuses	**175**	318
Social security costs	**132**	101
Pension	**18**	17
Share-based payment	**1**	13
	1,143	890

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

	As at 30 June 2017		As at 30 June 2016	
	Number of Growth Shares	Number of share options	Number of Growth Shares	Number of share options
Key personnel and Directors	**1,000**	**2,495,000**	1,000	3,195,000

A long term incentive plan is in place for the benefit of the Executive Directors. Further details can be found in the table in the Directors' Remuneration Report on page 54.

There were no employees or employee benefit expenses in the Company in the current or prior year.

7. Finance Cost

	2017 £000	2016 £000 restated
Interest expense:		
– bank borrowings	**1,950**	1,038
– other loan interest	**2,797**	3,663
– notional interest on deferred consideration	**1,428**	1,105
– amortisation of loan arrangement fees and other finance related costs	**823**	770
	6,998	6,576

8. Finance Income

	2017 £000	2016 £000
Other interest receivable	**22**	280
Interest from loans to joint ventures and associates	**436**	197
	458	477

9. Income Tax

	2017 £000	2016 £000 restated
Current tax charge	**2,744**	3,333
Deferred tax charge	**1,066**	1,508
Total	**3,810**	4,841

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

	2017 £000	2016 £000 restated
Profit before tax	**19,589**	33,733
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.0% (2016: 20.0%)	**3,722**	6,747
Expenses not deductible for tax purposes	**12**	14
ZDP interest not deductible for tax purposes	**214**	177
Adjustments to tax charge in respect of previous periods	**63**	167
Timing differences	**(157)**	(746)
Release deferred tax asset on disposal of joint venture	**59**	—
Deferred tax liability on investment properties	**1,259**	(1,518)
Tax losses utilised	**(1,362)**	—
Tax charge	**3,810**	4,841

A prior year adjustment of £1,298,000 has been made to recognise an additional deferred tax liability relating to the revaluation gains on investment properties due to sufficient capital losses not being available.

Notes to the Group Financial Statements

For the year ended 30 June 2017

10. 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.

	2017	2016 restated
Profit attributable to equity holders of the Company (£000)	**15,779**	28,293
Net assets attributable to equity holders of the Company (£000)	**130,550**	116,347
Weighted average number of ordinary shares in issue (000)	**201,875**	201,957
Dilutive effect of share options (000)	**1,882**	2,413
Dilutive effect of shares held in EBT (000)	**1,627**	1,027
Dilutive effect of growth shares (000)	**6,000**	6,000
Weighted average number of ordinary shares used in determining diluted EPS (000)	**211,384**	211,397
Basic earnings per share in pence	**7.82p**	14.01p
Diluted earnings per share in pence	**7.46p**	13.38p
Shares in issue (000)	**202,027**	201,779
Net asset value per share in pence	**64.62p**	57.66p
Diluted net asset value per share in pence	**61.72p**	55.08p

The Group's Employee Benefit Trust purchased 643,216 shares on 29 October 2014, 383,850 shares on 20 December 2015 and a further 600,000 shares on 16 December 2016 in Inland Homes plc under the terms of the Long Term Incentive Plan. These have been deducted from the weighted average number of ordinary shares in issue and also from the shares in issue at the year end.

11. Dividends

	2017	2016
Final dividend of 0.9p per share proposed and paid January 2017	**1,832**	—
Interim dividend of 0.5p per share paid June 2017	**1,018**	—
Interim dividend of 0.3p per share paid July 2015	**—**	608
Final dividend of 0.7p per share proposed and paid January 2016	**—**	1,412
Interim dividend of 0.4p per share paid May 2016	**—**	812
	2,850	2,832

The Directors are proposing a final dividend of 1.2p (2016: 0.9p) per share totalling £2,420,000. Dividends are not paid on the shares owned by the Employee Benefit Trust. The dividend has not been accrued in the consolidated balance sheet at 30 June 2017.

During the year the Company received £5 million in dividends from a subsidiary.

12. Investment Properties

	Commercial properties Level 3 £000	**Residential properties Level 3 £000**	**Development land Level 3 £000**	**Total £000**
Fair value				
At 30 June 2015	—	26,000	8,000	34,000
Additions	854	167	—	1,021
Fair value adjustment	111	17,904	—	18,015
Transfer from/(to) inventories	—	1,319	(2,650)	(1,331)
At 30 June 2016	965	45,390	5,350	51,705
Additions	329	58	—	387
Fair value adjustment	(26)	1,492	—	1,466
At 30 June 2017	**1,268**	**46,940**	**5,350**	**53,558**
At 30 June 2016	965	45,390	5,350	51,705
At 30 June 2015	—	26,000	8,000	34,000

12. Investment Properties continued

The different valuation method levels are defined below.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in 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).

These levels are specified in accordance with IFRS 13 Fair Value Measurement. Our property valuation approach and process is set out within the 'Valuation and sensitivity' section of this note below. Property valuations are inherently subjective as they are made on the basis of assumptions made by the valuer which may not prove to be accurate. For these reasons we have classified the investment property valuations as Level 3 as defined by IFRS 13.

The Group's policy is to recognise transfers between fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There have been no transfers during the period.

At 30 June 2017, the Group's investment properties were valued at £53.6 million (2016: £51.7 million) and the historical costs were £15.4 million (2016: £15.0 million).

The Poole investment property is pledged as security against the £20 million Barclays RCF. The carrying value of the property is £5.35 million (2016: £5.35 million).

The Wilton Park investment properties are pledged as security against a Secure Trust Bank loan. The carrying value of the properties is £46.94 million (2016: £45.39 million) and the security value is £45.7 million.

Income and expense

During the year ended 30 June 2017 £1,113,000 (2016: £642,000) rental and ancillary income from investment properties was recognised in the Group Income Statement. Direct operating expenses, including repairs and maintenance, arising from investment property that generated rental income amounted to £185,000 (2016: £203,000). The Group did not incur any direct operating expenses arising from investment properties that did not generate rental income (2016: £nil).

Restrictions and obligations

At 30 June 2017 there were no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal (2016: £nil).

There are no obligations to construct or develop the Group's residential or development land investment property.

Valuation and sensitivity

Residential

The Group's residential investment properties were valued by the Directors on the basis of 'open market value'. In arriving at their view of open market value the directors had regard to the following; the accommodation offered, the square footage and the condition of each property. They then considered the above in light of the local market and prices achieved in recent transactions in consultation with a local property agent.

If house prices fell by 5% this would result in a reduction in fair value of £2.35 million.

Development

The Group's development property is carried at fair value which has been established by the Directors using an internal appraisal model based on the 'residual method'. The inputs for this model are the market value of units to be constructed in accordance with the planning permission, the costs of any housebuilding, infrastructure, local authority fees and professional fees. The market value of the units has been assumed to be at a similar level to the prices obtained by the Group on earlier phases of the same development for similar property types. Housebuilding and infrastructure costs have been forecast using costs incurred by the Group on this or other similar developments with an allowance for cost increases. Local authority fees were agreed at the time of the signing of the planning permission and are therefore known costs. Professional fees are input using costs incurred on similar projects and finance holding costs are the Group's cost of debt capital. Using a profit margin of 20% this generated a land value for the remaining site of £5.35 million. The Directors are of the opinion that developing the site reflects the highest and best use of this asset.

As a residual valuation model is used, if house prices were to fall by 5% this would result in a reduction in fair value of £1.3 million in order to maintain a profit margin of 20% on the development. If costs should increase by 5% this would result in a reduction in fair value of £1.1 million in order to maintain the required 20% profit margin.

Commercial

The Group's commercial property at Leighton Buzzard is carried at fair value which has been established by the Directors using a rental yield of 5.5%. The annual rent used in this calculation is the subject of a lease with the Co-op. Costs to complete have been deducted from the fair value along with a suitable developer's margin.

If rental values dropped by 5% the value of this property would decrease by £63,000.

Notes to the Group Financial Statements

For the year ended 30 June 2017

13. Property, Plant and Equipment

Group

	Leasehold property £000	Motor vehicles £000	Office equipment £000	Fixtures and fittings £000	Total £000
Cost					
At 30 June 2015	13	115	309	259	696
Additions	—	217	89	23	329
Disposals	—	(25)	—	—	(25)
At 30 June 2016	13	307	398	282	1,000
Additions	—	70	107	273	450
At 30 June 2017	**13**	**377**	**505**	**555**	**1,450**
Depreciation					
At 30 June 2015	7	74	163	120	364
Depreciation charge	2	65	64	48	179
Disposals	—	(23)	—	—	(23)
At 30 June 2016	9	116	227	168	520
Depreciation charge	1	73	85	83	242
At 30 June 2017	**10**	**189**	**312**	**251**	**762**
Net book value					
At 30 June 2017	**3**	**188**	**193**	**304**	**688**
At 30 June 2016	4	191	171	114	480
At 30 June 2015	6	41	146	139	332

No property, plant or equipment are pledged as security.

Company

	Leasehold property £000
Cost	
At 30 June 2015	8
Additions	—
At 30 June 2016	8
Additions	—
At 30 June 2017	**8**
Depreciation	
At 30 June 2015	1
Depreciation charge	2
At 30 June 2016	3
Depreciation charge	2
Disposals	—
At 30 June 2017	**5**
Net book value	
At 30 June 2017	**3**
At 30 June 2016	5
At 30 June 2015	7

No property, plant or equipment are pledged as security.

14. Investments

Group

	Investment in associates £000	Investment in joint ventures £000	Total £000
Cost or fair value			
At 30 June 2015	—	1,488	1,488
Additions	251	202	453
Transfer to loans to joint ventures	—	(242)	(242)
Share of loss after tax	(138)	(232)	(370)
Movement during the year to 30 June 2016	113	(272)	(159)
At 30 June 2016	113	1,216	1,329
Additions	1,250	238	1,488
Transfer to loans to joint ventures	—	(193)	(193)
Disposal of interest in joint venture	—	(1,110)	(1,110)
Share of (loss)/profit after tax	(238)	13	(225)
Movement during the year to 30 June 2017	1,012	(1,052)	(40)
Net book value			
At 30 June 2017	**1,125**	**164**	**1,289**
At 30 June 2016	113	1,216	1,329

Company

	Investment in Group undertakings £000	Total £000
Cost or fair value		
At 30 June 2015	12,472	12,472
At 30 June 2016	12,472	12,472
Net book value		
At 30 June 2017	**12,472**	**12,472**
At 30 June 2016	12,472	12,472

Notes to the Group Financial Statements

For the year ended 30 June 2017

14. Investments continued

At 30 June 2017, the Company, directly or indirectly, held equity of the following:

Company name	Country of registration	Principal activity	Holding and voting rights	Class of shares
Subsidiary undertakings				
Inland Homes 2013 Limited*	England & Wales	Holding company	100%	Ordinary
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 development	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 (STB) Limited*	England & Wales	Provision of finance	100%	Ordinary
Inland Property Finance Limited*	England & Wales	Provision of finance	100%	Ordinary
Exeter Road (Bournemouth) Limited*	England & Wales	Real estate development	100%	Ordinary
Inland ZDP plc*	England & Wales	Provision of finance	100%	Ordinary
Inland Helix Limited*	England & Wales	Real estate development	100%	Ordinary
Inland Property Limited*	England & Wales	Real estate investment	100%	Ordinary
Inland Commercial Limited*	England & Wales	Real estate investment	100%	Ordinary
Drayton Developments Limited*	England & Wales	Real estate development	100%	Ordinary
Leighton Developments Limited*	England & Wales	Real estate development	100%	Ordinary
Chapel Riverside Developments Limited*	England & Wales	Real estate development	100%	Ordinary
Bucks Developments Limited*	England & Wales	Real estate development	100%	Ordinary
Wilton Park Developments Limited*	England & Wales	Real estate development	100%	Ordinary
Drayton Garden Village Limited*	England & Wales	Real estate development	100%	Ordinary
Rosewood Housing Limited*	England & Wales	Real estate development	100%	Ordinary
Wessex Hotel Developments Limited*	England & Wales	Real estate development	100%	Ordinary
Inland Partnerships Limited*	England & Wales	Construction of domestic buildings	100%	Ordinary
Hugg Homes Limited*	England & Wales	Letting or operating of real estate	100%	Ordinary
Hugg Housing Limited*	England & Wales	Letting or operating of real estate	100%	Ordinary
Basildon United Football, Sports & Leisure Limited*	England & Wales	Sports club	100%	Ordinary
Interests in joint ventures				
10 Ant South Limited*	England & Wales	Real estate investment	50%	Ordinary
Bucknalls Developments Limited*	England & Wales	Real estate development	50%	Ordinary
Cheshunt Lakeside Developments Limited*	England & Wales	Real estate development	50%	Ordinary
Gardiners Park LLP**	England & Wales	Real estate development	50%	Ordinary
Project Helix Holdco Limited*	England & Wales	Holding company	20%	Ordinary
Interests in associates				
Troy Homes Limited***	England & Wales	Real estate development	25%	Ordinary

* Registered office is Decimal Place, Chiltern Avenue, Amersham, Buckinghamshire, HP6 5FG
** Registered office is Springfield Lodge, Colchester Road, Chelmsford, Essex, CM2 5PW
*** Registered office is 10–14 Accommodation Road, London, NW11 8ED

Inland Homes 2013 Limited is the only direct subsidiary of the Company. All others are indirect holdings.

The joint ventures and associates listed above are accounted for using the equity method. Further details can be found in Critical Judgements in note 3 and below.

There are no restrictions on the ability of the Parent Company or its subsidiaries to transfer cash or other assets to or from other entities in the Group.

On 22 December 2016 Inland Homes 2013 Limited disposed of its 100% owned subsidiary, Inland New Homes Limited. A management fee of £6.0 million was charged by Inland Ltd to Inland New Homes Ltd prior to the sale for £1 resulting in a gain of £6.0 million which has been recognised in the Group Income Statement.

14. Investments continued

Interests in Joint Ventures

Aston Clinton S.A.R.L.

In November 2014, the Group acquired a 10% interest in Aston Clinton S.A.R.L (Lux) whose purpose is to acquire a site near Aylesbury, Buckinghamshire, and obtain planning permission. During the year ended 30 June 2017 planning consent for 400 residential units and commercial space was achieved. Also during the year the Group sold its interest in Aston Clinton S.A.R.L. for £8.3 million, generating a gain of £7.0 million which has been recognised in the Group Income Statement. This investment was accounted for using the equity method. Aston Clinton S.A.R.L. is based in Luxembourg.

Aston Clinton S.A.R.L. – summarised statement of financial position

	As at 30 June 2017 £000	As at 30 June 2016 £000
Current assets		
Cash and cash equivalents	**—**	36
Other current assets	**—**	7,348
Total current assets	**—**	7,384
Current liabilities		
Financial liabilities (excluding trade payables and provisions)	**—**	4,938
Other current liabilities	**—**	77
Total current liabilities	**—**	5,015
Net assets	**—**	2,369
Reporting entity's share in %	**0%**	50%
Reporting entity's share in £000	**—**	1,185
Investment cost £000	**—**	12
Carrying amount at year end £000	**—**	1,197

No statement of financial position has been included for 30 June 2017 as the Group disposed of its interest in Aston Clinton S.A.R.L on 28 June 2017.

Aston Clinton S.A.R.L. – summarised statement of total comprehensive income

	Period to 28 June 2017 £000	12 months to 30 June 2016 £000
Revenue	**—**	—
Interest income	**—**	—
Interest charge	**(298)**	(272)
Income tax expense	**(2)**	(1)
Total comprehensive income	**(300)**	(273)

Project Helix Group

In December 2014, the Group entered into a joint venture with CPC Group Ltd (CPC) to purchase land, obtain planning permission and ultimately sell the land. Under the terms of the joint venture, the Group owns 20% of the share capital and is obliged to fund 20% of the costs of the sites acquired by the joint venture. A 'waterfall' calculation determines the amount of profit to be received by the Group, using performance hurdles. Along with the Group's capital investment of £8,000 (after recognising the Group's share of profits and losses), £4,888,000 of loans have been provided, which is accounted for as Amounts due from Joint Ventures within Current Assets in the Group Statement of Financial Position. This investment is accounted for using the equity method and further details of this can be found in Critical Judgements in note 3. Project Helix is based at the Company's registered office. The results below are for both Project Helix Holdco Ltd and its subsidiary undertakings: High Wycombe Developments Ltd; High Wycombe Developments No. 2 Ltd; and Brooklands Helix Developments Ltd.

Notes to the Group Financial Statements

For the year ended 30 June 2017

14. Investments continued

Project Helix Group – summarised statement of financial position

	As at 30 June 2017 £000	As at 30 June 2016 £000
Current assets		
Cash and cash equivalents	**18**	148
Other current assets	**24,284**	22,659
Total current assets	**24,302**	22,807
Current liabilities		
Financial liabilities (excluding trade payables and provisions)	**648**	3,325
Other current liabilities	**23,972**	19,819
Total current liabilities	**24,620**	23,144
Net liabilities	**(318)**	(337)
Reporting entity's share in %	**20%**	20%
Reporting entity's share in £000	**(64)**	(67)
Investment cost £000	**72**	68
Carrying amount at year end in £000	**8**	1

Project Helix Group – summarised statement of total comprehensive income

	12 months to 30 June 2017 £000	12 months to 30 June 2016 £000
Revenue	**146**	84
Operating expenses	**(70)**	(33)
Total comprehensive income	**76**	51

Bucknalls Developments Ltd

In December 2015, the Group entered into a joint venture with two individuals to purchase land, obtain planning permission and develop the homes in Garston, Hertfordshire. During the year ended 30 June 2017 outline planning consent was obtained for 100 residential units. Under the terms of the joint venture, the Group owns 50% of the share capital, is obliged to fund 50% of the costs of the site and is entitled to receive a management fee and 50% of the returns. Along with the Group's capital investment of £nil (after recognising the Group's share of losses), loans of £4,371,000 have been provided which are accounted for as Amounts due from Joint Ventures within Current Assets in the Group Statement of Financial Position. This investment is accounted for using the equity method and further details of this can be found in Critical Judgements in note 3. Bucknalls Developments Ltd is based at the Company's registered office.

Bucknalls Developments Ltd – summarised statement of financial position

	As at 30 June 2017 £000	As at 30 June 2016 £000
Current assets		
Cash and cash equivalents	**5**	—
Other current assets	**8,355**	8,318
Total current assets	**8,360**	8,318
Current liabilities		
Financial liabilities (excluding trade payables and provisions)	**8,339**	8,258
Other current liabilities	**34**	72
Total current liabilities	**8,373**	8,330
Net liabilities	**(13)**	(12)
Reporting entity's share in %	**50%**	50%
Reporting entity's share in £000	**(7)**	(6)
Losses restricted to nil £000	**7**	25
Carrying amount at year end in £000	**—**	19

14. Investments continued

Bucknalls Developments Ltd – summarised statement of total comprehensive income

	12 months to 30 June 2017 £000	7 months to 30 June 2016 £000
Revenue	**12**	—
Operating expenses	**(20)**	(1)
Interest	**5**	(11)
Total comprehensive income	**(3)**	(12)

Cheshunt Lakeside Developments Ltd (formerly Inland (Stonegate) Ltd)

In June 2016, the Group entered into a joint venture whose purpose is to acquire a site in Cheshunt, Hertfordshire, obtain planning permission and ultimately sell the land. The site has the potential for 1,500 residential plots. Under the terms of the joint venture agreement, the Group has an obligation to fund 50% of the costs of the site and is entitled to receive 50% of the net returns. The Group has made a capital investment of £155,000 (after recognising the Group's share of profit) as at 30 June 2017, which is accounted for as an Investment in Joint Ventures. Funds of £8,177,000 have also been forwarded and are accounted for as Amounts due from Joint Ventures on the Group Statement of Financial Position. This investment is accounted for using the equity method and further details of this can be found in Critical Judgements in note 3.

Cheshunt Lakeside Developments Ltd – summarised statement of financial position

	As at 30 June 2017 £000	As at 30 June 2016 £000
Current assets		
Cash and cash equivalents	**234**	—
Other current assets	**39,347**	31,642
Total current assets	**39,581**	31,642
Current liabilities		
Financial liabilities (excluding trade payables and provisions)	**22,657**	30,017
Other current liabilities	**16,680**	1,625
Total current liabilities	**39,337**	31,642
Net assets	**244**	—
Reporting entity's share in %	**50%**	50%
Reporting entity's share in £000	**122**	—
Investment cost £000	**33**	—
Carrying amount at year end in £000	**155**	—

Cheshunt Lakeside Developments Ltd – summarised statement of total comprehensive income

	12 months to 30 June 2017 £000	1 month to 30 June 2016 £000
Revenue	**248**	—
Operating expenses	**(4)**	—
Interest	**—**	—
Income tax expense	**—**	—
Total comprehensive income	**244**	—

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For the year ended 30 June 2017

14. Investments continued

Gardiners Park LLP

In November 2016, the Group entered into a joint venture with Constable Homes to develop a site in Basildon, Essex with 30 private and 13 Housing Association units. Under the terms of the joint venture agreement, the Group has an obligation to fund 50% of the costs of the site and is entitled to receive 50% of the net returns. The Group has made a capital investment of £nil (after recognising the Group's share of losses) as at 30 June 2017, which is accounted for as an Investment in Joint Ventures. Funds of £919,000 have also been forwarded and are accounted for as Amounts due from Joint Ventures on the Group Statement of Financial Position. This investment is accounted for using the equity method and further details of this can be found in Critical Judgements in note 3. Gardiners Park LLP is based at Springfield Lodge, Colchester Road, Chelmsford, Essex, CM2 5PW.

Gardiners Park LLP – summarised statement of financial position

	As at 30 June 2017 £000
Current assets	
Cash and cash equivalents	300
Other current assets	5,881
Total current assets	**6,181**
Current liabilities	
Financial liabilities (excluding trade payables and provisions)	3,371
Partners loans	1,806
Other current liabilities	1,088
Total current liabilities	**6,265**
Net assets	**(84)**
Reporting entity's share in %	50%
Reporting entity's share in £000	(42)
Investment cost £000	42
Carrying amount at year end in £000	**—**

Gardiners Park LLP – summarised statement of total comprehensive income

	7 months to 30 June 2016 £000
Revenue	869
Operating expenses	(919)
Interest	(34)
Income tax expense	—
Total comprehensive income	**(84)**

Interests in Associates

Troy Homes Ltd

In October 2015 the Group acquired 25% of Troy Homes Ltd (Troy), a new premium housebuilder, and is entitled to 25% of the net returns. At 30 June 2017 the Group had made a capital investment of £1.125 million (after recognising the Group's share of losses) (2016: £113,000) and had provided loans of £3.1 million (2016: £894,000) which are accounted for as Loans to Associates within Non-Current Assets in the Group Statement of Financial Position. The Group has subscribed to a further £125,000 of loan notes which are payable when called for by the board of Troy. The Group sold 2 sites amounting to £2.8 million on deferred terms to Troy during the year ended 30 June 2016. There is a debtor of £2.7 million in relation to these transactions in Amounts due from Associates within Non-Current Assets and they are secured by way of a legal charge over the sites. This investment is accounted for using the equity method, further details of which can be found in the accounting policies.

14. Investments continued

Troy Homes Ltd – summarised statement of financial position

	As at 30 June 2017 £000	As at 31 March 2016 £000
Non-current assets		
Tangible assets	**82**	37
Total non- current assets	**82**	37
Current assets		
Cash and cash equivalents	**569**	111
Other current assets	**26,087**	10,367
Total current assets	**26,656**	10,478
Total assets	**26,738**	10,515
Current liabilities		
Financial liabilities (excluding trade payables and provisions)	**10,364**	9,475
Other current liabilities	**3,393**	637
Total current liabilities	**13,757**	10,112
Non-current liabilities		
Financial liabilities (excluding trade payables and provisions)	**9,467**	—
Total non-current liabilities	**9,467**	—
Total liabilities	**23,224**	10,112
Net assets	**3,514**	403
Reporting entity's share in %	**25%**	25%
Reporting entity's share in £000	**879**	101
Investment cost £000	**246**	12
Carrying amount at year end in £000	**1,125**	113

Troy Homes Ltd – summarised statement of total comprehensive income

	12 months to 30 June 2017 £000	5 months to 30 June 2016 £000
Revenue	**1,011**	—
Operating expenses	**(1,890)**	(539)
Interest	**(836)**	(152)
Income tax	**334**	138
Total comprehensive income	**(1,381)**	(553)

Notes to the Group Financial Statements

For the year ended 30 June 2017

15. Deferred Tax

Group

The net movement on the deferred tax account is as follows:	£000
At 1 July 2016 (restated)	(960)
Income statement charge	(1,066)
At 30 June 2017	**(2,026)**

The movement in deferred tax assets is as follows:

	Capital losses recognised on revaluation gain £000	Revaluation gain £000	Other £000	Share based compensation £000	Notional interest on deferred consideration £000	Total £000
At 1 July 2015 (restated)	3,983	(3,983)	(148)	406	290	548
Credited/(charged) to income statement	623	(2,708)	250	133	194	(1,508)
At 1 July 2016 (restated)	4,606	(6,691)	102	539	484	(960)
(Charged)/credited to income statement	(1,410)	152	(78)	87	183	(1,066)
At 30 June 2017	**3,196**	**(6,539)**	**24**	**626**	**667**	**(2,026)**

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. A prior year adjustment of £1,298,000 has been made to recognise an additional deferred tax liability relating to the revaluation gains on investment properties due to sufficient capital losses not being available.

Company

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

	£000
At 1 July 2016	539
Income statement credit on share based charge	87
At 30 June 2017	**626**

16. Inventories

	2017 £000	2016 £000 restated	2015 £000 restated
Stock and work in progress	**139,898**	148,438	121,795

During the year, a total of £71,226,000 (2016: £72,329,000) 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 £400,000 (2016: £95,000). The amount of loans and ZDP borrowings secured against inventory is £62.1 million (2016: £85.4 million). During the year £1.1 million of interest was capitalised within inventories and there has been a prior year adjustment of £0.85 million to 2016 and £0.76 million to 2015.

17. Trade And Other Receivables

	Group		Company	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Trade receivables	**3,444**	3,506	**—**	—
Prepayments and accrued income	**1,262**	895	**64**	37
Amounts due from associates	**—**	3,372	**—**	—
Amounts due from joint ventures	**18,267**	10,103	**—**	—
Other receivables	**17,785**	2,415	**1,084**	1,149
Amounts owed by Group undertakings	**—**	—	**50,024**	38,783
Corporation tax debtor	**—**	—	**471**	338
Loans to associates due in more than one year	**5,763**	894	**—**	—
Other receivables due in more than one year	**5,830**	55	**—**	—
	52,351	21,240	**51,643**	40,307

The carrying value of trade and other receivables is considered a reasonable approximation of fair value. During the year ended 30 June 2016, the Directors made a provision of £1.1 million against a debtor relating to a contractor who has been placed into administration. No other trade receivables are considered to be impaired. There were no unimpaired trade receivables past due at the reporting date.

Within other receivables is £420,000 (2016: £309,000) relating to retentions receivable from construction contracting clients. Within prepayments and accrued income is £983,000 (2016: £10,000) relating to income accrued on a construction contract.

At the balance sheet date, the Group has provided loans of £4,888,000 (2016: £3,902,000) to Project Helix as shown in note 14.

At the balance sheet date, the Group has provided loans of £4,371,000 (2016: £2,680,000) to Bucknalls Developments Ltd as shown in note 14.

At the balance sheet date, the Group has provided loans of £8,177,000 (2016: £1,017,000) to Cheshunt Lakeside Developments Ltd as shown in note 14.

At the balance sheet date, the Group has provided loans of £919,000 (2016: £nil) to Gardiners Park LLP as shown in note 14.

At the balance sheet date, the Group has provided loans of £2,994,000 (2016: £894,000) to Troy Homes Ltd and was due £2,769,000 for the sale of 2 sites as shown in note 14.

18. Listed Investments Held at Fair Value Through Profit and Loss

Group & Company

	£000
At 1 July 2016	1
Disposal of investments	(1)
At 30 June 2017	—

Notes to the Group Financial Statements

For the year ended 30 June 2017

19. Cash and Cash Equivalents

	Group		Company	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Cash at bank and at hand	**26,459**	16,723	**107**	10,826

20. Share Capital – Group & Company

	2017 £000	2016 £000
Allotted, issued and fully paid – ordinary, redeemable and deferred shares		
203,654,432 (2015: 202,799,432) ordinary shares of 10p each	**20,365**	20,280
9,980 (2015: 9,980) deferred shares of 10p each	**1**	1
	20,366	20,281

	2017 Number	**2017 £000**	2016 Number	2016 £000
Allotted, issued and fully paid - ZDP shares				
At 1 July	**11,313**	**1,132**	10,285	1,029
Issued for cash during the year	**1,131**	**113**	1,028	103
At 30 June	**12,444**	**1,245**	11,313	1,132

Ordinary shares

Each share has the right to one vote and is entitled to participate in any distribution made by the Company, including the right to receive a dividend.

Deferred shares

Deferred shares shall not confer the right to be paid a dividend or to receive notice of or attend or vote at a general meeting. On a winding-up, after the distribution of the first £10,000,000 of the assets of the Company, the holders of the deferred shares (if any) shall be entitled to receive an amount equal to the nominal value of such deferred shares pro rata to their respective holdings.

ZDP shares

The ZDP shares carry no entitlement to any dividends or other distributions or to participate in the revenue or any other profits of the company. The ZDP shareholders have no right to receive notice of, or to attend or vote at, any general meeting of the company except in those circumstances set out in the Inland ZDP plc's Articles of Association, which would be likely to affect their rights or general interests.

The Group's Employee Benefit Trust purchased 643,216 shares on 29 October 2014, 383,850 shares on 20 December 2015 and a further 600,000 on 16 December 2016 in Inland Homes plc under the terms of the Long Term Incentive Plan. This is a separate entity which is consolidated in the Group's financial statements.

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 from the date of vesting. The schemes are all equity-settled. The Company has used the Black-Scholes formula to calculate the fair value of outstanding share options and deferred shares.

The Company also operates a long term incentive plan (2013 LTIP) for the Executive Directors. Further details of this can be found in the Directors' Remuneration Report. The Company has used the Monte Carlo simulation technique to determine the fair value of the grant of the awards as the outcome of the performance targets depends on the Parent Company's share price.

Volatility was calculated using historical share price information. No share options or Growth Shares were issued in the current year or prior year.

The charge calculated for the year ended 30 June 2017 is £463,000 (2016: £665,000) with a corresponding deferred tax asset at that date of £87,000 (2016: £126,000).

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

20. Share Capital – Group & Company continued

A reconciliation of option movements over the year ended 30 June 2017 is shown below:

	Number 000s	Weighted average exercise price pence
Outstanding at 30 June 2015	4,080	30.61p
Granted during the year	—	—
Outstanding at 30 June 2016	**4,080**	**30.61p**
Lapsed during the year	(45)	70.25p
Exercised during the year	(855)	45.51p
Outstanding at 30 June 2017	**3,180**	**27.60p**
Exercisable at 30 June 2017	**2,815**	**20.30p**
Exercisable at 30 June 2016	3,670	20.57p

In addition to the share options in the above table, there were 11,350,504 ordinary shares exchangeable for the Growth Shares outstanding, issued in December 2013, that do not have an exercise price but are subject to vesting conditions. Further details can be found in the remuneration report on page 57.

At 30 June 2017, outstanding share options granted over 10p ordinary shares were as follows:

Share option scheme	**Option price pence**	**Number**	**Dates exercisable**
Company unapproved	16.5p	580,000	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	245,000	25 June 2015 to 24 June 2022
Company unapproved	32.5p	490,000	18 June 2016 to 17 June 2023
Company unapproved	70.25p	365,000	22 June 2018 to 21 June 2025

The weighted average remaining life of share options outstanding at 30 June 2017 is four years and 3 months.

Further details of the share options can be found in the remuneration report on page 57.

21. Trade and Other Payables

	Group		**Company**	
	2017 £000	2016 £000 restated	**2017 £000**	2016 £000
Trade payables	**7,255**	3,871	**10**	—
Other creditors	**6,296**	4,687	**64**	58
Social security, other taxes and VAT	**1,767**	3,770	**412**	312
Corporation tax	**6,532**	7,618	**—**	—
Provisions	**—**	943	**—**	—
Accruals and deferred income	**5,219**	5,385	**206**	190
Deferred tax due in more than one year	**2,026**	960	**—**	—
Other creditors falling due in more than one year	**—**	2,679	**—**	—
	29,095	29,913	**692**	560

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

22. Other Financial Liabilities

	2017 £000	2016 £000
Purchase consideration on inventories falling due within one year	**20,130**	22,369
Zero Dividend Preference shares	**17,291**	14,607
	37,421	36,976

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 26.

Notes to the Group Financial Statements

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23. Contingencies

During the year ended 30 June 2016, one of the Group's principal contractors ("the contractor") experienced significant financial difficulties and was put into Administration. The Group has made a claim to the contractor's Administrators for £7.2 million in relation to amounts it believes it is owed by the contractor. A counter claim for £11.6 million has been received from the Administrators for various unexplained reasons, based on discussions with the contractor. The Administrators have not provided any evidence to support the contractor's claims and the Group will be vigorously defending any claims from the contractor as it believes that contractually they have no merit.

Inland Homes plc has guaranteed the obligations of certain borrowings of its subsidiaries:	
Inland Homes Developments Ltd	20,000,000
Inland (STB) Ltd	29,250,000
Inland Property Finance Ltd	13,950,000
	63,200,000

All of these subsidiaries are going concerns.

Inland Homes plc has guaranteed the obligations of certain subsidiaries with regards to the payments of subcontractors. As at 30 June 2017 one guarantee was considered significant by the Group and is in relation to Inland Finance Ltd for a maximum of £805,000. This guarantee has expired since the year end.

Inland Homes plc has guaranteed the build performance obligations of Inland Limited and Inland Partnerships Ltd on their contracts with housing associations. The Directors do not consider that these guarantees could be called up.

Inland Homes plc has guaranteed the obligations of Poole Investments Limited on its commitments to its associate company, Troy Homes Limited. Further information on these commitments can be found in note 14.

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

24. Commitments & Leases

Operating lease commitments where the Group is the lessor

The Group lets houses, commercial properties and land under non-cancellable operating lease agreements to third parties. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease receipts under non-cancellable operating leases for the Company's properties are as follows:

	2017 £000	2016 £000
Due in less than one year	**961**	1,158
Due later than one year and not later than five years	**610**	1,843
Due later than five years	**1,260**	1,543
	2,831	4,544

The Group has 2 leasing arrangements which it considers significant. At Drayton Garden Village in West Drayton, Middlesex the Group has a rental contract with a third party for a shop dated 31 October 2016. This contract has a non-cancellable term of 15 years with an annual rent of £64,000. At RAF Stanbridge in Leighton Buzzard, Bedfordshire the Group has a rental contract with a third party for a shop dated 5 August 2016. This contract has a non-cancellable term of 15 years with an annual rent of £69,750.

Operating lease commitments where the Group is the lessee

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 for the Company's premises and plant and machinery are as follows:

	2017 £000	2016 £000
Due in less than one year	**134**	134
Due later than one year and not later than five years	**132**	260
	266	394

The Company has a rental contract for the registered office at Decimal Place, Chiltern Avenue, Amersham, HP6 5FG dated 10 July 2014. This contract has a non-cancellable term of five years, with an annual rent of £127,000. Other than this there were no significant leasing arrangements in the current or prior year.

24. Commitments & Leases continued

Joint ventures & associates

Project Helix Holdco Ltd – the Group is committed to contributing 20% of all costs. The initial agreement has a limit of £41.25 million and Inland would be liable for £8.25 million, including what has already been paid.

Bucknalls Developments Ltd – the Group is committed to contributing 50% of all costs. The agreement allowed for the land purchase to be funded equally by each side and a contribution of £75,000 from the Group's joint venture partners towards planning costs. The Group is committed to fund anything over this amount, until the site becomes income generating. From the date of the signing of the financial statements, the Group expects to contribute a further £200,000 towards planning costs before construction begins. It is anticipated that construction will be funded by a bank loan.

Cheshunt Lakeside Developments Ltd – the Group is committed to contributing 50% of all costs. The Group expects to fund a further £750,000 before receipt of a planning permission.

Gardiners Park LLP – the Group is committed to contributing 50% of all costs not funded by external borrowings and no further costs are expected.

Troy Homes Ltd – the Group has subscribed to a further £125,000 of loan notes and £1.0m of share capital which are payable when called for by the board of Troy.

25. 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 26 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 financing ratio is shown below. The target capital to overall financing ratio has been set by the Directors at 40% and results over this amount are considered to be a good performance against the target.

	2017 £000	2016 £000
Equity	**130,550**	116,347
Less: cash and cash equivalents	**(26,459)**	(16,723)
	104,091	99,624

	2017 £000	2016 £000
Equity	**130,550**	116,347
Borrowings	**94,468**	71,287
Overall financing	**225,018**	187,634
Capital to overall financing	**46.3%**	53.1%

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.

Every quarter the Group must report to the ZDP shareholders that the covenants attached to the ZDP shares have not been breached. The most significant covenant is the gearing ratio which is calculated as adjusted gross assets: financial indebtedness. This covenant is monitored on a bi-monthly basis by the Board and has not been breached at any time. Further details can be found in the Inland ZDP Prospectus on the Company's website at www.inlandhomesplc.com.

Notes to the Group Financial Statements

For the year ended 30 June 2017

26. Financial Instruments

Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk; liquidity risk; and 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's significant concentrations of credit risk are its loans to joint ventures and deferred receipts on disposal of investment in subsidiaries and joint ventures which are adequately covered by the underlying values of the assets within the joint ventures or legal charges over the land within the vehicle disposed of. Further information can be found in notes 14, 17 and 25. 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:

	2017 £000	2016 £000
Classes of financial assets – carrying amounts		
Cash and cash equivalents	**26,459**	16,723
Loans to associates due in more than one year	**5,763**	894
Amounts due from joint ventures in less than one year	**18,267**	10,103
Amounts due from associates in less than one year	**—**	3,372
Receivables due in more than one year	**5,830**	55
Trade and other receivables	**21,229**	5,921
	77,548	37,068

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. Further information on the concentration of credit risk can be found in note 17 on page 97.

Other forms of credit risk are for liquid funds and other short term financial assets but these are 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) Interest rate risk

The Group's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to risk. Most of the Group's borrowings are at variable rates.

Market rate sensitivity analysis

The analysis below shows the sensitivity of the Group Income Statement and net assets to a 0.5 per cent change in interest rate on the Group's financial instruments that are affected by market risk. These financial instruments consist solely of borrowings.

	2017 £000	2016 £000
Total impact on pre-tax profit and equity of 0.5 per cent increase in interest rates – loss	**(248)**	(35)
Total impact on pre-tax profit and equity of 0.5 per cent decrease in interest rates – gain	**248**	35

26. Financial Instruments continued

(d) Price risk

The Group's price risk arises from the market value of land and house prices. These are affected by credit availability, employment levels, interest rates, consumer confidence and the supply of land. Whilst it is not possible for the Group to fully mitigate such risks on a macroeconomic basis, the Group does focus its operations in areas that have a favourable supply/demand ratio and ensures that planning permissions gained are for units of the type and price point which are less easily affected by any downturns in the housing market.
The Group has also started entering into construction contracts with Housing Associations which involve the bulk, forward selling of residential units and has less risk than speculative building.

Financial assets & liabilities

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

	Note	**2017 £000**	2016 £000
Financial assets			
Listed investments held for trading	18	**—**	1
Loans and receivables			
Trade and other receivables	17	**51,089**	20,345
Cash and cash equivalents	19	**26,459**	16,723
		77,548	37,068
Financial liabilities			
Financial liabilities measured at amortised cost:			
– borrowings		**77,177**	56,680
– trade and other payables	21	**15,318**	15,007
– Zero Dividend Preference shares	22	**17,291**	14,607
– other financial liabilities	22	**20,130**	22,369
		129,916	108,663

Current borrowings consist of housebuilding loan facilities of £20 million, of which £20 million (2016: £15.7 million) is drawn down, and further loans of £31 million (2016: £22.1 million) secured against land and £27 million (2016: £18.9 million) against investment properties. The loans attract interest at varying rates and there is a variety of fixed and variable rates. The table below analyses current borrowings into maturity groupings based on the remaining period at the Statement of Financial Position date to the loan redemption date, also split between variable and fixed rates of interest:

	2017		2016	
	Variable rate borrowings £000	**Fixed rate borrowings £000**	Variable rate borrowings £000	Fixed rate borrowings £000
Less than one year	**—**	**—**	105	40,040
More than one year and less than two	**17,008**	**—**	105	2,401
More than two years and less than five	**52,967**	**17,410**	14,029	—
	69,975	**17,410**	14,239	42,441

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

	2017			2016		
	Trade, other payables & borrowings £000	**Zero Dividend Preference shares £000**	**Purchase consideration £000**	Trade, other payables & borrowings £000	Zero Dividend Preference shares £000	Purchase consideration £000
Less than one year	**15,318**	**—**	**20,130**	52,679	—	23,799
More than one year and less than five	**87,385**	**19,401**	**—**	19,535	17,637	—
	102,703	**19,401**	**20,130**	72,214	17,637	23,799

Notes to the Group Financial Statements

For the year ended 30 June 2017

26. Financial Instruments continued

The ZDP shares are carried at their accrued value of 137.55p per share (2016: 129.12p) however their closing price on the main market of the London Stock Exchange on 30 June 2017 was 143.75p (2016: 139.00p). The ZDP shares attract an interest rate of between 4.64%–7.3%.

Financial assets and liabilities are 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 in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

Assets	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Net fair value at 30 June 2016	1	—	—	1
Disposals	(1)	—	—	(1)
Net fair value at 30 June 2017	—	—	—	—

The financial assets carried at fair value consist of listed investments.

27. Related Party Transactions

The Group has interests in several joint ventures, all of which are considered to be material. The Group's share of the net assets and net results of these joint ventures can be found in note 14. Further information on loans to joint ventures can be found in note 16.

During the year the beneficial interests of the Directors in the ordinary share capital of the Company received dividends as follows:

	2017 £000	2016 £000
Stephen Wicks	**192**	200
Nishith Malde	**158**	158
Paul Brett	**53**	49
Terry Roydon	**5**	5
Simon Bennett	**2**	2

For details of compensation paid to the Directors and key management please see the Remuneration Report and note 6.

- DGVL had previously provided a loan of £1,442,000 (2016: £1,442,000) to a subsidiary of Energiser Investments plc, a company in which Mr N Malde and Mr S D Wicks are shareholders and directors. This loan attracted interest of 10% per annum. This has been repaid during the year.
- DGVL had previously provided a loan of £647,000 (2016: £647,000) to a subsidiary of Energiser Investments plc, a company in which Mr N Malde and Mr S D Wicks are shareholders and directors. This loan attracted interest of 4.5% per annum. This has been repaid during the year.
- During the year ended 30 June 2016 2 sites were sold to Troy Homes ltd, a company in which the Group holds a 25% equity investment and in which Mr N Malde is a non-executive director. The sites were sold for a total of £2.75 million plus Value Added Tax on deferred terms. As at the year end £2.6 million (2016: £3.4 million) was outstanding in relation to these sales.

28. Events after the Balance Sheet Date

On 5 July 2017 the Group acquired its joint venture partner's interest in two of the Project Helix subsidiaries which own the Lily's Walk and Buckingham House sites in High Wycombe for £10.3 million.

29. Prior Year Adjustments

During the year the Directors reviewed properties held within inventories and are now of the opinion that given the complexity and the nature of the developments at Wilton Park and Cheshunt it is more appropriate to capitalise interest in accordance with IAS 23 Borrowing Costs in relation to the properties at Wilton Park and in the Cheshunt joint venture. Further information on this assessment can be found in notes 1 and 3. A prior year adjustment of £1,298,000 has also been made to recognise an additional deferred tax liability relating to the revaluation gains on investment properties following a review of the Group's capital losses available for set off against future capital gains that were erroneously calculated in the prior year. The financial impact of these adjustments is shown below:

	As previously stated		Adjustments			Restated	
	2016 £000	2015 £000	2016 £000		2015 £000	2016 £000	2015 £000
			Deferred tax	Capitalisation of interest	Capitalisation of interest		
Group Income Statement							
– net interest	(6,948)	(8,172)	—	849	691	(6,099)	(7,481)
– profit before tax	32,884	34,163	—	849	691	33,733	34,854
– income tax	(3,543)	(5,078)	(1,298)	—	—	(4,841)	(5,078)
– profit after tax	29,341	28,950	(1,298)	849	691	28,892	29,641
Earnings per share							
– basic earnings per share in pence	14.23	14.67	(0.64)	0.42	0.34	14.01	15.01
– diluted earnings per share in pence	13.60	14.20	(0.61)	0.40	0.33	13.39	14.53
Group Statement of Financial Position							
– deferred tax asset due in more than one year	338	548	(338)	—	—	—	548
– total non-current assets	54,801	39,669	(338)	—	—	54,463	39,669
– inventories	146,825	121,031	—	1,613	764	148,438	121,795
– total current assets	183,840	150,407	—	1,613	764	185,453	151,171
– retained earnings	56,372	28,806	(1,298)	1,613	764	56,687	29,570
– total equity attributable to shareholders	116,032	88,797	(1,298)	1,613	764	116,347	89,561
– deferred tax liability due in more than one year	—	—	960	—	—	960	—
– total non-current liabilities	33,821	25,001	960	—	—	34,781	25,001
– total equity and liabilities	238,641	190,076	(338)	1,613	764	239,916	190,840
Group Statement of Cash Flows							
– profit for the year before tax	32,884	34,163	—	849	691	33,733	34,854
– interest expense	7,425	8,373	—	(849)	(691)	6,576	7,682

30. 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.

Advisers and Company Information

Company registration number

5482990

Company Secretary

Nishith Malde FCA

Nominated adviser and broker

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