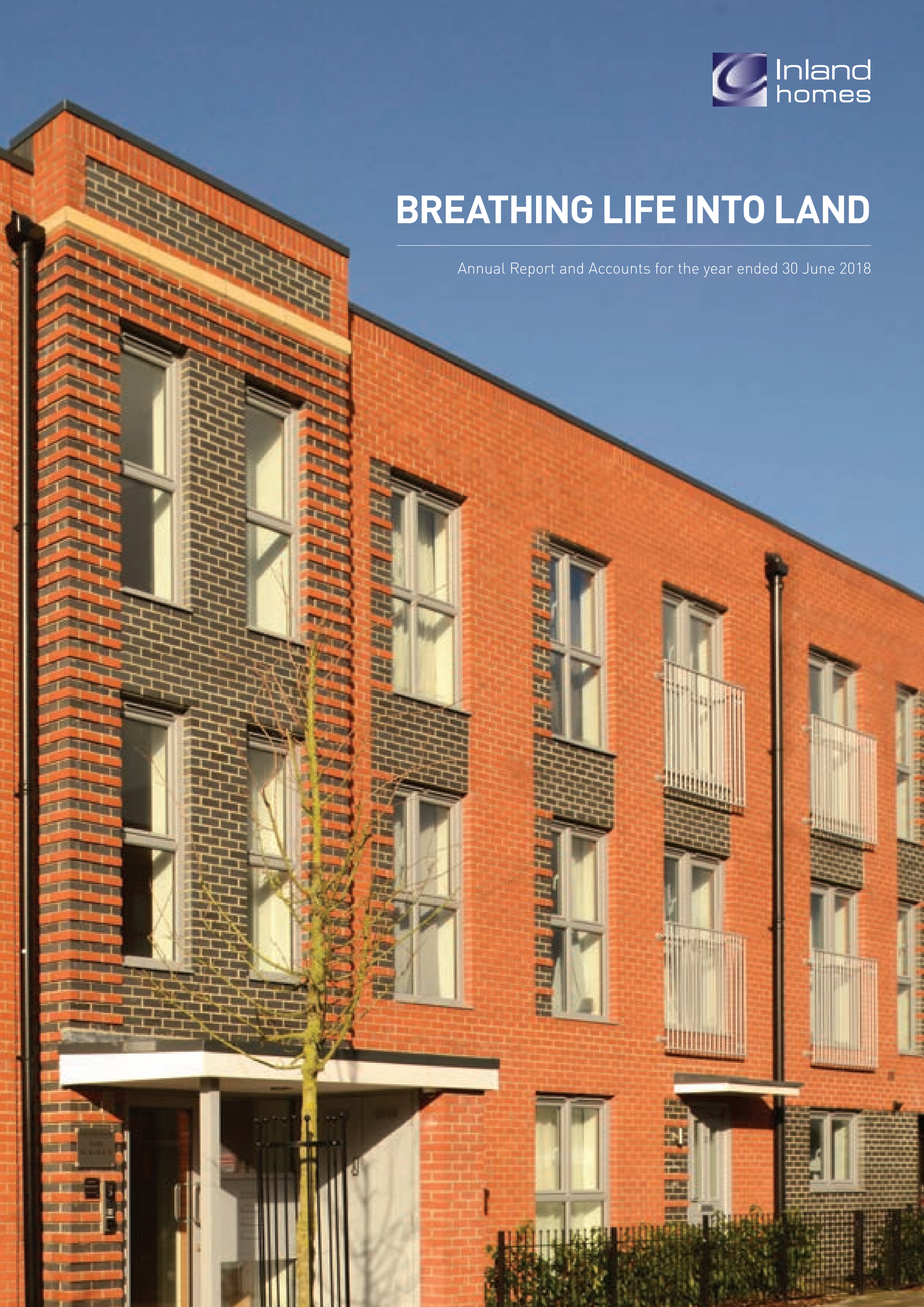
Inland homes

BREATHING LIFE INTO LAND

Annual Report and Accounts for the year ended 30 June 2018



Strategic report

Governance

Financial statements

Above: artist's impression of Carter's Quay, Poole

Cover: Meridian Waterside, Southampton

Welcome to Inland Homes plc

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 a valuable planning consent for the sites we own and manage.

We have a clear and agile business model giving us the flexibility to realise value in the land bank through consented plot sales, private housebuilding, Partnership Housing deals with Registered Providers and Private Rented Sector operators or rental income from investment property. Our ambitious developments, combining style, comfort and sustainability for a wide social demographic, deliver appropriate rewards for our business, our shareholders and stakeholders, 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.

Our highly experienced management and specialist development teams successfully identify and secure suitable land opportunities and thereafter maximise 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.

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

Why invest in Inland Homes?

- Strong management team
- Adding value throughout the planning process
- Well-located land portfolio in the South and South-East of England
- Unrealised value within the land bank
- Capturing further value through private and partnership housebuilding activities

Read our online annual report at **www.inlandhomesplc.annualreport2018.com**

Read more online at **www.inlandhomesplc.com** and **www.inlandhomes.co.uk**

Cheshunt Lakeside,
Hertfordshire

STRATEGIC REPORT

Year in summary

Inland Homes has made strong operational and strategic progress

Highlights

- EPRA NAV[1] growth of 6.3%
- Recurring profit before tax up 6.6%
- Private housing forward order book of £19.7m and Partnership Housing construction order book of c£100m
- 682 homes under construction

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Our business model

p.16 Our agile business model

Largest ever planning application submitted for 1,853 homes and over 18,000m² of commercial space at Cheshunt Lakeside

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Our market

- Planning approvals 5% above 10-year average
- 2.2% year-on-year increase in UK house prices

p.14 Key aspects of our marketplace

Our portfolio

- Maintained healthy land bank at 6,870 plots with an anticipated gross development value of £2.1 billion

p.06 A focused portfolio

Our responsibility

- One million hours with zero AFR
- First supply chain conference in November 2017
- Considerate Constructors Scheme score of 39 out of 50

p.40 Corporate and Social Responsibility
p.46 Case study: Chapel Riverside, Southampton

Revenue

£147.4m

2017: £90.7m

+62.5%

Recurring profit before tax

£19.3m

2017: £18.1m

+6.6%

Earnings per share

7.64p

2017: 7.82p

-2.3%

Dividend per share

2.20p

2017: 1.70p

+29.4%

EPRA NAV per share[1]

102.28p

2017: 96.22p

+6.3%

Year end cash balance

£40.4m

2017: £26.5m

Private housing units sold

275

2017: 188

+46.3%

Land plots sold

837

2017: 780

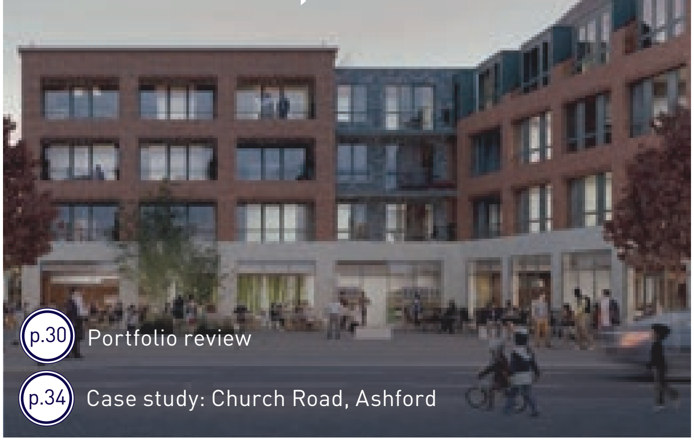
+7.3%

[1] On an undiluted basis.

Pre-let for £0.6m pa to Premier Inn for 46,000 sq ft, 105 room hotel in Bournemouth

p.30 Portfolio review

£95m contract for sale and development of Church Road, Ashford



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Our performance

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Our risk profile

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Our main priorities for 2018/19

- Procure planning consent at Wilton Park and Cheshunt Lakeside
- Increase our Partnership Housing business
- Build on our new modular housing initiatives

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A focused portfolio

Our land portfolio currently consists of 6,870 plots with the vast majority in the South and South-East of England. The size of each site ranges from under 50 plots to over 1,350 plots.

We are continuing to focus on acquiring a mix of brownfield sites, as well as strategic land, which is usually greenfield land, acquired with the knowledge that it is suitable for development at a later date. The strategic sites in our land bank have the potential for almost 3,000 residential plots across 500 acres and typically have a two to five year timeline for planning permission.

We are targeting large brownfield sites that are appropriate for residentially led mixed-use regeneration schemes. While we have been involved in these projects for some time now, we are looking to expand this area to maximise the opportunities and value available.

We are continuing to focus on acquiring a mix of brownfield sites, as well as strategic land.

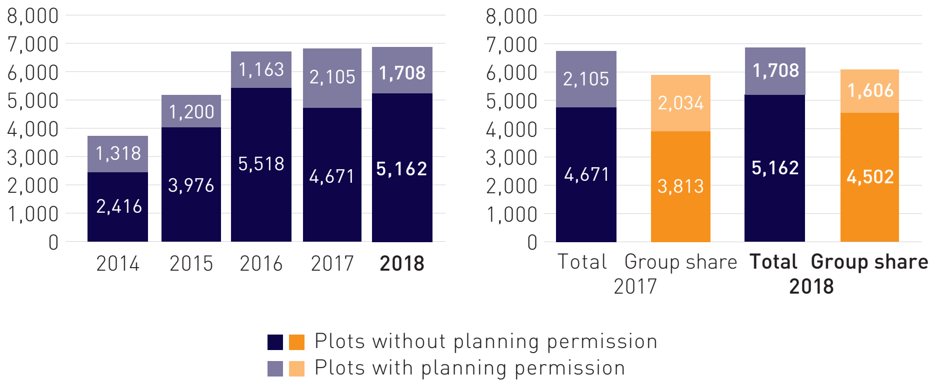
We are also pushing to enhance the number of collaborative joint ventures with institutional landowners. Institutions such as the MOD, NHS and local authorities often have surplus land but not the skill set or commercial drivers that we have at our disposal.

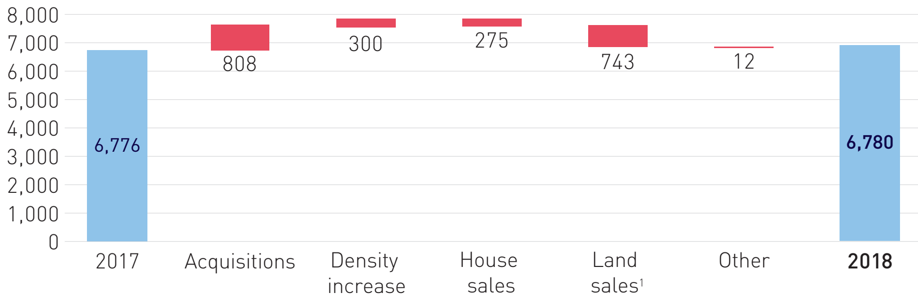
While our core focus has always been, and will continue to be, acquiring and developing brownfield sites, we are establishing ourselves as a respected housebuilder in our own right both for ourselves and on behalf of others as part of Partnership Housing deals. This allows us to take more control of our sites and ensures a higher build quality while maximising value generated for the Group.

Land bank plots

6,870

2017: 6,776





¹ In addition to the 743 plots above, 94 plots were sold into a 50% joint venture and therefore remain in the year end land bank figure.

p.30 Portfolio review

Abbey Wharf, Alperton

Berryfields, Tiptree


Queensgate, Farnborough


St John's, Chelmsford

Castle House, High Wycombe

Chairman's statement

"Despite potential political and regulatory headwinds, the overall health of the sector is positive, particularly the part of the market in which we operate and where we believe there will continue to be ongoing support for the products that we are offering."

Terry Roydon
Chairman

Overview

This has been another strong year for the Group, both operationally, our activity delivering healthy growth in revenues, profit and net asset value, as well as strategically as we continue to pivot the business towards a more robust, diversified and adaptable model. Revenues are being generated from housebuilding, brownfield site regeneration, land sales, partnerships with Housing Associations, whilst at the same time we are growing our exposure to the Private Rented Sector and social housing. Our priority is to build on the strong financial performance during the period and, with a significantly enlarged, highly qualified team in place, we believe we are now in a position to effectively manage this increasingly broad range of activity and to meet our growth ambitions for Inland Homes.

Revenue increased to £147.4m (2017: £90.7m) with the completion of 275 open market homes (2017: 188) and 79 partnership equivalents (2017: 37) as well as the sale of a record number of 837 building plots (2017: 780). Despite these sales and the use of plots for our own developments, we were still able to increase the size of the land bank to 6,870 plots (2017: 6,776) which demonstrates the scale of the underlying activity levels.

Results and dividend

The Group achieved recurring profit of £19.3m (2017: £18.1m), an increase of 6.6%. The undiluted EPRA net asset value per share has increased by 6.3%, from 96.22p to 102.28p per share, while net asset value per share has increased by 9.0% to 70.46p (2017: 64.62p). In August 2018, we extended the maturity of the zero dividend preference shares from 10 April 2019 to 10 April 2024. We are also in discussions with a number of banks to increase our revolving credit facility to support our expanding housebuilding operations.

On the back of another strong set of results and the continued progress being made by the Group, the Board has recommended an increase in the payment of a final dividend by 29.2% from 1.20p to 1.55p per share subject to shareholder approval at the Annual General Meeting to be held on 27 November 2018. This together with the interim dividend of 0.65p (2017: 0.50p) per share equates to a total dividend of 2.20p (2017: 1.70p) per share, an increase of 29.4%.

Operations

Following a considerable and carefully executed recruitment programme, we now have a high-quality and scalable construction business in place. At the same time, the land team has also been strengthened and is well placed to manage the significant number of pipeline opportunities ahead of us.

Our in-house construction team is increasingly focused on the delivery of Partnership Housing, where we can provide turnkey developments for Housing Associations, other public bodies and operators in the Private Rented Sector. Our order book currently stands at circa £100m.

In March, we submitted our largest planning application to date, for 1,853 homes at Cheshunt Lakeside, the former Tesco headquarters. It is the major brownfield site in Broxbourne Borough and we are working very closely with the Council to ensure early delivery. We are anticipating a resolution to grant planning permission before the end of the year.

The planning application at our flagship scheme at Wilton Park, Beaconsfield has now been submitted for over a year. Although progress has been slower than we would have anticipated we remain in active dialogue with the local authority on the 100-acre site, which it has allocated for development. Whilst we are confident that we will achieve the necessary permissions, we are considering the options open to us over the coming months. In the meantime, the site continues to produce rental income of approximately £1.5m per annum.

Corporate Governance

With effect from 28 September 2018, all AIM companies are required to adopt a recognised corporate governance code and to make additional corporate governance related disclosures on their websites. I am pleased to announce that the Company has adopted the Quoted Companies Alliance's Corporate Governance Code (QCA Code). Notwithstanding that the requirement to adopt a recognised code came into force after the date to which the Group's financial statements have been prepared, we have prepared the relevant sections of our accounts as if the requirement to adopt that code had been in force during the financial year ended 30 June 2018.

The Board

During the year we welcomed Laure Duhot and Brian Johnson to the Board as new Non-executive Directors. Laure brings over 30 years of senior executive level experience in the investment banking and property sectors, specialising in alternative real estate assets and Brian brings a wealth of sector expertise having held senior management and non-executive positions within the housing, social care and commercial sectors.

In another change to our Non-executive Board, we are pleased to announce the appointment of Simon Bennett as Senior Independent Director effective from 13 September 2018. Simon has been an independent Non-executive Director since March 2007 and has chaired the Remuneration Committee since that date.

We were also pleased to add Gary Skinner to the Board as Managing Director in May 2018. Gary was previously Director of Operations at Willmott Dixon Housing, a privately-owned contracting and interior fit-out group, where he was responsible for the delivery of up to 1,000 homes per annum. Since joining the Group, in February 2016, Gary has had a tremendous impact and has been an integral part of our growth, having led the formation and expansion of our construction operations.

As announced in February 2018, Paul Brett, our Land Director since 2011, decided to leave the Group to pursue his own interests and he stepped down from Board with effect from 16 April 2018 but will remain as a consultant to the Group, supporting, in particular, the ongoing planning application processes at its significant development opportunities at Wilton Park in Beaconsfield and Cheshunt Lakeside in Hertfordshire. On behalf of the Board, I should like to thank Paul for his contribution to the Group since its formation and wish him well in his new endeavours.

Outlook

Despite wider market uncertainty, we continue to see robust demand for our products, whether it be consented land or affordably priced homes. Whilst prices have softened slightly in the Greater London area and the industry awaits further clarity on the long term future of the Help to Buy scheme, we are well positioned through our increasingly diverse revenue streams to benefit from the fundamental lack of suitable housing in our target markets. We have delivered significant progress this year and strong financial metrics and now have a platform in place that provides excellent visibility over our future growth ambitions.

Terry Roydon
Chairman
19 September 2018

Chief Executive's review

"This has been another strong year for the Group, both operationally, with our activity delivering healthy growth in revenues, profit and net asset value, as well as strategically as we continue to pivot the business towards a more robust, diversified and adaptable model."

Stephen Wicks
Chief Executive

We have had yet another very good year of further growth which has once again generated solid financial results, as management continues with the implementation of our expansion strategy and the diversification of the Group's revenue streams.

Over the last three years, we have built a highly accomplished construction division, now comprising 79 employees, which has the ability and experience to take on the most complex brownfield projects. Our core skillset at Inland Homes has always been the ability to source attractive land opportunities and secure planning permissions from challenging sites, for which key management has a successful, 25-year unbroken track record. By adding the building operations to our existing land platform, we have created a winning formula for the delivery of our new homes and, importantly, the capability to provide "turnkey" land and building partnerships to Housing Associations, PRS funds and local authorities. This element of our business is gathering momentum and we have circa £100m of Housing Association contracts in place for the delivery of over 500 affordable homes over the next five years. The total number of units under construction, including both private and partnership homes, at the year end was over 680, a record for the Group.

Inland Homes has always taken an entrepreneurial approach to the growth of the business and we have a history of looking at things differently, focusing our efforts on finding and creating new opportunities where they seldom existed before. We have an outstanding track record over the last decade of managing schemes through the complex UK planning process and of tackling challenging sites, where our expertise can be deployed to the benefit of the wider community.

Our strategy

With this in mind, my job as Chief Executive of the Group is to execute the strategy formulated by the Board and to deliver it effectively, ultimately generating value for our shareholders. This time last year, I stated that our Group strategy continues to focus 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 skillset, 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.

In a changing environment it is important that the strategy evolves to take account of wider economic factors as well as specific industry issues, including affordability and efficient delivery, which are at the forefront of our thinking. Against this backdrop, the key components of our strategy include:

New homes for sale

Maintain our focus on providing affordably priced (average sales price of £293,000), high quality homes, in those locations in the South and South-East of England.

Plot sales

Continue our policy of selling consented plots to third parties to generate cash and profitability, with a bias towards sales where our building division can secure the construction contract.

Partnership housing

Delivery of homes for Housing Associations where contract income will provide a regular positive cash flow and a contribution towards profit.

Land acquisition

Grow our land bank year-on-year through a mix of unconditional brownfield purchases and strategic land options.

Rental income

Improve the short term letting income from our residential and commercial assets whilst sites are going through the planning process.

Strategy evolution in action

In line with our efforts to consistently evolve our strategy against this changing market backdrop, we have two new embryonic businesses, established this year following significant research and viability assessments, that we believe will support our ambitions for sustainable growth.

Rosewood Housing

As announced on 22 August 2018, Rosewood Housing, a wholly owned subsidiary of Inland Homes, has been registered as a for profit provider of social housing by Homes England, the Regulator of Social Housing, following a two-year qualification period. This registration opens up the opportunity for Rosewood to develop, hold and manage certain section 106 homes, comprising a mix of rented and shared ownership units that need to remain within the regulated sector whilst owned by a Registered Provider.

In particular, the company expects to generate visible and attractive income from the "staircasing" of shared ownership homes, whereby residents can buy further shares in their property once they have lived in it for a certain period of time.

Once we have achieved critical mass in this specialist sub-sector, it may be appropriate for us to partner with an institutional investor to help deliver further portfolio growth. This activity will be highly complementary to our develop-to-sell strategy and will leverage the capabilities of our rapidly growing in-house construction division.

Hugg Homes

Based on current trends more than 100,000 homeless families in England will be living in temporary accommodation soon. Since 2010, the number has grown by 61% and in 2016 alone local authority spend on this form of housing - which is often in unsuitable and cramped bed and breakfast or hostel accommodation, with no stability - was a cost to the taxpayer of £845m, with many councils having to subsidise the accommodation beyond the local housing allowance.

Inland Homes has been working on a new modular housing product for some time, www.hugghomes.co.uk, based on a concept that provides high quality modular homes, offering a flexible and responsive solution to the housing shortage through bespoke temporary accommodation that is focused on sustainability and a commitment to design and manufacturing excellence.

Hugg Homes is based on a principle of using land that would be otherwise inactive during the planning process, enabling "pop up" developments in key locations. It will give local authorities the agility to react quickly to emerging temporary local housing requirements and ensure that vacant land is efficiently utilised in support of social needs.

The first temporary consents have been secured in Southampton, Hampshire and Cheshunt, Hertfordshire for a total of 76 units with the first installation expected to be complete and occupied by the end of this calendar year.

The units will be let to local authorities for a three to five-year period and the Company has an agreement with an experienced manufacturer that has the capacity to service our requirements. The Hugg units have an estimated 60-year lifespan and at the end of each lease period are transportable on a lorry to a new suitable location.

We believe this new business will provide an additional significant and reliable income stream to our Group, whilst providing good quality homes for people in need at a significant saving to the taxpayer. They will be particularly attractive to local authorities where estate regeneration is taking place and where residents can be temporarily relocated within their own communities while works are completed.

First Rosewood Home;
The Pheasant, Amersham

Hugg Home show unit

Chief Executive's review continued

Ongoing projects

The Portfolio review will provide a detailed account of many of our projects, but I would like to comment on two key projects in particular:

Wilton Park, Beaconsfield, Buckinghamshire

Despite our 100% record in securing permissions, unfortunately the UK planning system continues to present challenges to us in certain instances.

The 100-acre site at Wilton Park, described by Savills as "the best residential development opportunity in Southern England" has an allocation for 350 homes and 2,100m^2 of commercial space. We have now owned the site for over five years, guiding the project through to an adopted planning brief and a subsequent planning application, which has now been submitted for over a year. Developers are required to build Affordable Housing, as defined by local authority policy - in this case 40% of all homes built - unless it can be demonstrated through a Financial Viability Assessment (FVA) that it would not be viable to do so. While our FVA, which demonstrated that the delivery of the decreed 40% Affordable Housing at Wilton Park would be unviable due to heavy infrastructure costs, was signed off by a source approved by the Council, the Council has refused to accept the findings. It subsequently commissioned a further viability assessment which took six months to prepare and came to a similar conclusion, which, frustratingly, the Council is again refusing to accept.

Inland Homes is making every effort to engage with the Council to resolve this matter to everyone's satisfaction and discussions are continuing. Such delays caused by arguments over the level of affordable housing are one of the biggest causes of delays in the delivery of new homes in the UK; the battle continues!

Cheshunt Lakeside, Hertfordshire

This is the largest project in the Inland portfolio where a planning application has been submitted for a new community of 1,853 homes and 200,000 sqft of commercial space, comprising a significant part of the former Tesco headquarters in Cheshunt, Hertfordshire together with other land we have assembled on this large scale brownfield opportunity. The local authority at Broxbourne are very supportive of our proposals and we are anticipating an early approval.

This development will provide some significant project delivery opportunities to work on, alongside major PRS funds and Housing Associations as well as private sales. This scheme is held in a joint venture where there is an ability to buy out our partners, which is the current intention.

Aerial view of Wilton Park site

Cheshunt Lakeside, Hertfordshire

Outlook

Underpinning our overall strategy is the ongoing chronic shortage of housing across the UK, at various price points, and whilst this situation remains, we are confident that housebuilders like ourselves, as well as other stakeholders who are committed to solving this problem, will continue to be supported in their activities. We anticipate that any changes to the Help-to-Buy scheme come 2021 will impact those who are not first-time buyers and those looking at properties towards the higher end of the bracket and we'd expect the favourable borrowing environment to persist for the foreseeable future. Whilst the Greater London property market continues to be impacted by wider political uncertainty, values and demand in the Home Counties remains robust, supported by improving infrastructure investment and evidence of wage growth returning in the UK economy.

Conclusion

2018 has been another busy year for Inland and we have made considerable strides which, importantly, are reflected in our full year results. I firmly believe that the component parts of this business are well balanced and provide a cohesive strategy for continuing and sustainable growth in the more uncertain environment over the short to medium term. Whilst there are challenges, we see great opportunities for us at Inland going forward.

Finally, I would like to extend my heartfelt thanks to the entire team at Inland Homes, without which the building of such a dynamic and successful business would not have been remotely possible.

Stephen Wicks
Chief Executive
19 September 2018

Abbey Wharf, Alperton

Key aspects of our marketplace

UK economy

Consumer confidence and the health of the UK economy are fundamental to the UK housing market. The UK economy continued to grow in the 12 months to 30 June 2018, albeit more slowly than previously predicted. The EU referendum result in June 2016 led to some initial uncertainty for the UK economy but it has proven more resilient than forecast following the referendum. The latest estimates show that GDP has increased by 1.4% in the year to 2018, slightly below the 1.8% growth to June 2017. Unemployment rates and interest rates remain historically low, which support consumer sentiment. However, risks to demand remain within the UK economy as uncertainties resulting from the ongoing negotiations regarding the UK exit from the EU move forward.

Government policy and planning

Planning approvals for the year were 5% above the 10-year average. However the process of securing implementable detailed planning consent remains challenging. While the planning system remains cumbersome and bureaucratic, there have been some improvements in recent years. However, further change is needed and the Government's White Paper on planning has been broadly welcomed by the industry, as it seeks to address the problem of planning delays, including under-resourced planning authorities. The Government has announced planning reforms to improve land availability for new housing and to maximise the potential of underused land in towns and cities. This should support progress towards achieving the Government's significant housebuilding targets in the future. Local planning authorities are required to put in place five-year plans to meet their housing needs, which in theory should ensure a consistent supply of consented land to enable the housebuilding industry to commit capital to long term projects.

All political parties have recognised the need for additional housing, not just because of the chronic need for new homes but also because of the important role that housebuilding plays in the wider economy. Recent policy has focused on stimulating demand for home ownership through programmes such as Help to Buy. Commitment to the Help to Buy programme has been made to 2021 and the scheme was recently bolstered by an additional £10bn of funding, although we still await an update from the Government on the future of the Help to Buy scheme in the period after 2021. Additionally, the Government has committed a further £2bn of funding to deliver affordable homes and the National Planning Policy Framework is ensuring that all local authorities have a consistently calculated five-year supply of land for new homes.

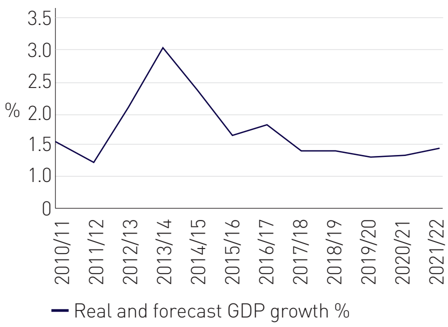
Following the tragic events at Grenfell Tower, a wide-ranging inquiry has commenced to establish the causes and examine the responses to this disaster. Whilst focused on high-rise residential, the Government has required all housebuilders and property owners to review the fire strategy for all buildings built or refurbished since 2005.

p.40 Corporate and Social Responsibility

UK GDP 2018

+1.4%

ONS estimated figure for year ended 30 June 2018



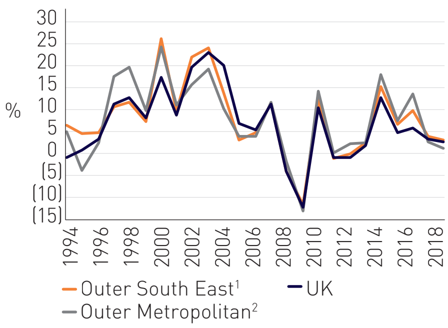
Source: ONS/OBR

Planning approvals above 10-year average by

+5%

UK House price index

+2.2%



Source: Nationwide

[1] Buckinghamshire, Hampshire, Oxfordshire and Sussex

[2] Essex, Hertfordshire and Surrey

Supply and demand imbalance

There continues to be a fundamental demand and supply imbalance in new build housing. The Government's Housing White Paper published early last year aims to deliver increased numbers of homes more quickly to meet the demands of local communities, and in the 2017 Autumn Budget the Government announced plans to increase the annual volume of new homes built to 300,000 per annum by 2022.

Demand for new build housing has remained strong supported by healthy employment trends, a competitive mortgage market and the Government's Help to Buy scheme. Increased demand has resulted in house prices rising at a rate above that of retail price inflation. The average UK house price was £215k in June 2018, a growth of 2.2% on the previous year. Our average selling price was £283k (excluding joint ventures) and £293k (including joint ventures) in the year to 30 June 2018, as we have a focus on affordability and the first-time buyer, first-time mover market.

The most recent available data shows a small decrease of 2.5% in new build completions, with 153,000 new properties completed in the UK, for the year to 30 June 2018. This remains well below the level required to address the UK's supply and demand imbalance.

Mortgage affordability and availability

Mortgage availability and affordability in the UK is a key dynamic for the housebuilding sector and our customers. Despite the recent modest increases in the Bank of England base rate to 0.75%, the first increases in the last decade, borrowing costs remain at a historically low level. Commentary from the Bank of England after the November 2017 base rate increase indicated its expectation of only modest further increases in the coming years, so we do not currently envisage any material change in the overall conditions in the mortgage market in the near term.

The number of new mortgages decreased slightly in the year to 30 June 2018 to 780,000 new loans for home purchase (2017: 796,000) primarily due to continued weakness in buy-to-let completions. In contrast, first-time buyer completions have increased. The Help to Buy scheme continues to be important for new housebuilding and has supported almost 170,000 property completions since its launch in April 2013 to the end of December 2017. The majority of these (81%) were to first-time buyers.

Mortgage availability remains strong, with mortgage lenders keen to increase their market share and the mortgage market remains competitive. However, the mortgage market could be restricted by changes in Government policy, particularly changes to the Help to Buy scheme.

Construction costs

Construction costs in the UK have increased by 3.9% in the year to March 2018 (2017: 5.0%) due to continued pressure on resources to deliver the higher level of homebuilding, the devaluation of Sterling and labour costs rising due to an acute skilled labour shortage.

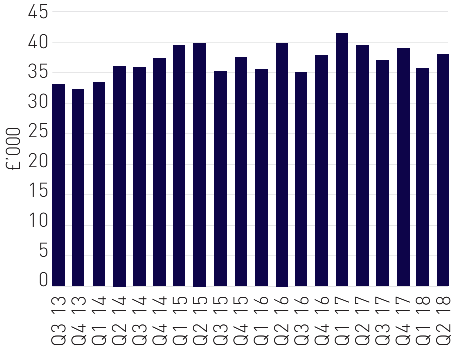
Skilled labour

The shortage of skilled labour is, along with the inadequate planning system and financial constraints, the greatest limitation to increasing the UK housing supply. The housebuilding industry has a shortage of skilled and experienced labour at all levels. The skills gap has largely been filled by overseas workers from the European Union ("EU") and beyond, who now make up a significant proportion of the workforce. Brexit negotiations have led to uncertainty over the security of the EU workforce, not just from potential future employment restrictions but also from possible economic migration caused by Sterling devaluation.

p.40 Corporate and Social Responsibility

2018 New home completions

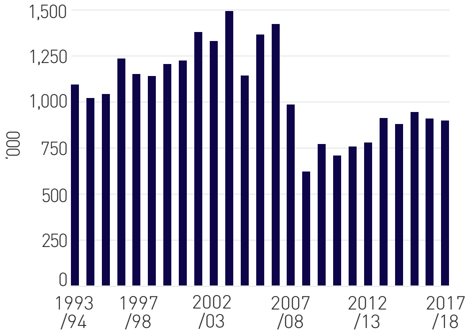
153,000



Source: NHBC

New mortgages in 2018

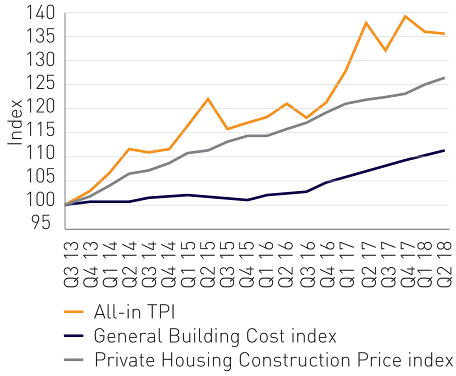
780,000



Source: Bank of England

Construction costs increase

3.9%



Source: BCIS (June 2013=100)

Our agile business model

Relationships and resources

- Strong portfolio
- Experienced team
- Knowledge of planning system
- Good relationships throughout the supply chain
- Trusted by Housing Associations

Our key activities

Land activities

Land activity is the foundation of our 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

Housebuilding activities

In response to a changing marketplace, we have been creating its own construction capabilities. By investing in our own people, we can ensure longer term, higher value returns for our shareholders.

Construction activities

We sell some of our sites to Housing Associations and institutional landlords, with a construction contract for Inland Homes to build the units.

Adding value	Delivering for our stakeholders
• Working with Local Authorities and communities to maximise the potential value of each site by securing a valuable planning permission.	**Developers:** • Part or all of a site can be sold to developers; when selling part of a site to developers, they generally benefit from the relevant infrastructure which has already 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.
• Allows us to capture the development margin in addition to the land value uplift via planning. • Developing the sites with our own team provides us with additional control over quality, costs and delivery.	**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.
• The construction contract accelerates revenue and provides monthly cash flow which assists the Group's working capital and reduces our net borrowings.	**Housing Associations and Private Rented Sector:** • Delivering high quality, reliable and attractive developments.

Our value chain

Our value chain outlines the various options available to the Group 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, while medium and long term value can be made through the development of part, or all, of the site.

Long term returns

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.

Medium term returns

Selling 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.

Short term returns

Sell land with planning permission to developers

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

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 brownfield sites is second to none.

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.

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.

Land activities

Housebuilding activities

Construction activities

St. John's,
Chelmsford

Our strategy

Our 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 uniquely Inland.

Strategic goal	1 Acquire land and add value through planning	2 Maximise the value from our land bank by expanding our private housebuilding and Partnership Housing programmes
Description	Purchases range from sites ready for immediate development, to tactical acquisitions of sites which open up the potential of neighbouring land, to areas which will become key housebuilding terrain in the future. All of these purchases are funded by our careful financial strategy, which balances loan finance, joint venture funding and equity released from operations.	Having proved our credentials as a quality housebuilder with award-winning developments such as Meridian Waterside 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 substantial transactions; for example the project in Chapel Riverside, Southampton. It has also led to significant Partnership Housing deals with Housing Associations such as Church Road, Ashford with A2 Dominion.
Progress over past year	• The size of the land bank has still increased since last year end despite the sale of 837 plots and 275 homes during the year. The Board also made the decision not to purchase any significant new sites due to the number of plots being processed through the planning system by the Group. • Planning permission or resolution to grant planning permission was obtained on 594 plots during the year.	• Further investment in staff to increase the capacity and level of construction expertise within the Group. • We have 682 residential units under construction across 13 sites including 117 within joint ventures. • Residential sales increased by 46% in the year to 275 homes. • Partnership Housing equivalent units increased by 114% in the year to 79 homes.
Focus for the future	Continue to secure more planning consents and acquire sites with excellent potential to add value.	Our Private and Partnership Housing developments are expected to increase in number.
Connected KPI	• Undiluted EPRA net asset value per share • Net gearing • Number of plots with or without planning consent • Total residential plots sold • Planning permissions gained during the year	• Revenue • Profit before tax • Total residential units sold • Planning permissions gained during the year

3 **Continue the core activity of plot sales to generate cash to fund our operations**

As our planning team adds value to land through securing planning permissions, we are able to make attractive short term returns through land sales to developers and Housing Associations. In this strong housebuilding climate there is high demand for quality land, which 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.

- 797 plots with planning permission and 40 plots without planning permission were sold during the year generating revenue of £59.3m.
- 1,708 plots with planning permission in land bank.

Selective disposal of sites to other developers and Housing Associations.

- Revenue
- Profit before tax
- Undiluted EPRA net asset value per share
- Net gearing
- Number of plots with or without planning consent
- Total residential plots sold
- Planning permissions gained during the year

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 as well as forward sales of homes and construction contracts in hand that provide consistent cashflow. Additionally, we have a bank of properties, which are providing a steady stream of rental income and cash that provides a contribution towards our overheads.

- EPRA net gearing at 38.6%
- Cash balances of £40.4m
- Gross borrowings of £120.1m

The Group has set a target to maintain its EPRA net gearing below 40%.

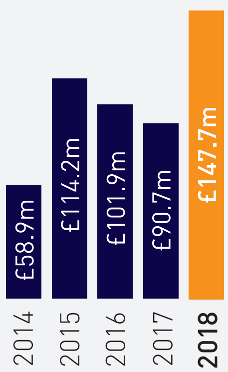
- Profit before tax
- Net gearing

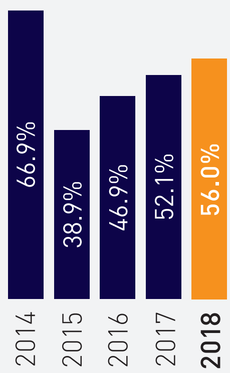
Our KPIs

Financial KPIs

KPI	Revenue	Recurring profit before tax	EPRA net asset value per share	Net gearing
Strategic focus	Revenue from housebuilding and contracting activities is expected to continue to increase and this will be supplemented by land sales and rental income.	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 Private and Partnership Housing and contracting activities together with the sale of consented building plots.	The value added to the land bank by the planning process will continue to be one of the Group's key focuses. Further value will be extracted from the land bank through Private and Partnership Housing.	The Group is keen to maintain gearing at a reasonable level, taking into account the EPRA net asset value.
Performance	There was one disposal of land in 2018 and two in 2017 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 £148.6m (2017: £117.7m), representing a 26% increase on the prior year.	Demand for consented land was once again strong during the year and this resulted in several highly profitable land sales.	EPRA net asset value[1] increased again this year by 6.3% from 96.22p to 102.28p. The use of the EPRA methodology reveals how much "hidden" value is held within inventories.	Based on EPRA net asset value, net gearing has increased from 35.0% to 38.6% in line with management's expectations. On a non-EPRA basis, it has increased to 56.0% from 52.1% in the prior year.

Chart





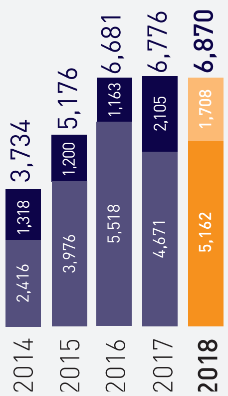
[1] On an undiluted basis.

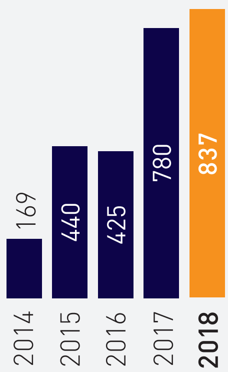
[2] The Group adopted the performance measures of the European Public Real Estate Association (EPRA) from December 2015, therefore prior year comparatives consist of net asset value only, without the uplift of the underlying asset value.

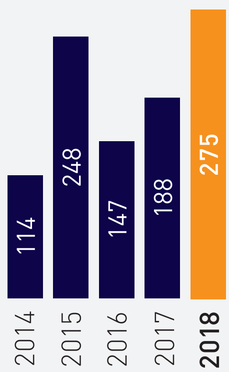
Non-financial KPIs

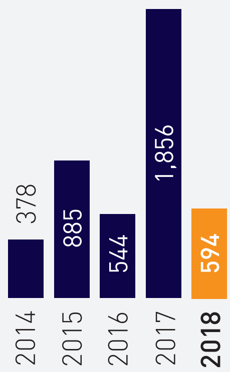
KPI	Number of plots with or without planning consent	Total residential plots sold	Private residential home sales	Planning permissions gained during the year
Strategic focus	The Group's target is to have a land bank of approximately 10,000 residential plots in the medium term.	The Group's objective is to sell consented plots that are unlikely to be developed by Inland Homes to realise profits and to raise working capital.	The sale of the number of private residential units is expected to fall in the year to 30 June 2019 and thereafter to increase substantially to approach our target of approximately 500 units pa.	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 the date of purchase.
Performance	The land bank now stands at 6,870 plots, including 1,708 plots with planning permission or resolution to grant planning permission.	There was a strong demand for consented plots from housebuilders during the year, resulting in the sale of 837 plots.	The Group sold 275 private residential units during the year, which was a 46% increase over the previous year.	The Group gained planning permission or a resolution to grant planning permission on 594 plots during the year ended 30 June 2018.

Chart









Our principal risks

As with any business, we face risks and uncertainties in the course of our day-to-day activities and it is only by effectively identifying and managing these risks that we can deliver our strategy.

Risk management framework

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

Senior management report regularly to the Executive Directors in a number of areas:

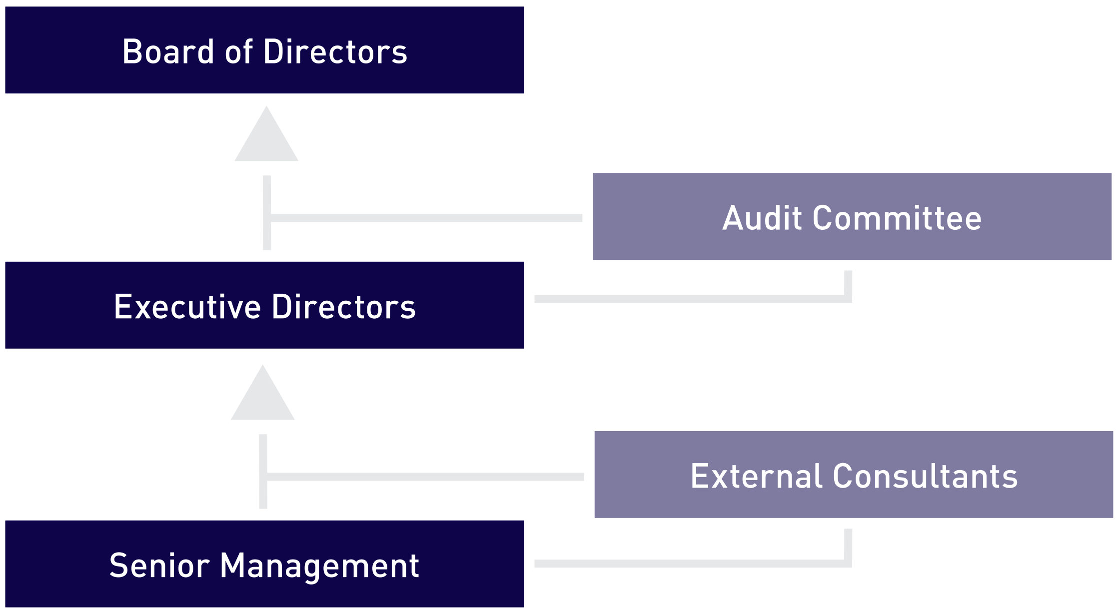
- legal;
- sales and marketing;
- planning;
- environmental;
- construction; and
- financial.

This reporting frequently involves the use of external consultants. For example, during the due diligence carried out before the acquisition of each site, planning consultants are normally engaged for their specialist knowledge and outside perspective to challenge our assumptions and ensure that we have a full understanding of the site and its market.

By assessing all the information in the reports from Senior Management, Executive Directors can determine the risks present in each area of the business.

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 supports the Board in ensuring that the financial performance of the Group is properly reported and monitored. The Audit Committee consider any control weaknesses that are highlighted by the external Auditor during the course of the external audit.



Risk	Potential impact	Mitigation	Rating	Change since last year
1 **UK's exit from the EU**	The UK continues to negotiate the terms of its exit from the European Union and there remains a degree of uncertainty on the outlook for the UK economy. Ongoing economic uncertainty may reduce consumer confidence and impact on demand and pricing for new homes and affect revenues, profits, cash flows and asset values. Potential legislative changes on freedom of movement may also restrict the availability of skilled construction workers and impact on costs and delay build activity. In addition, potential further devaluation of the UK currency as a result of Brexit could increase costs of materials.	We continue to closely monitor the impact of the increased uncertainty on the UK economy and the housing market through the review of external information and changes in the behaviour of our customer base. The overall shortage of supply of housing in the UK may provide a degree of support to the housing market should these circumstances arise. Action taken by the Government to adjust policy to support UK economic performance may provide further mitigation, as might any response with respect to interest rates by the Bank of England.	HIGH	
2 **Government policy and planning regulations**	Government policy has the potential to influence various aspects of our strategy, operations and overall performance. Potential changes in Government policy, such as changes to the planning system, changes in the tax regime, or the amendment of the Help to Buy scheme could have an adverse effect on revenues, margins and asset values. Government initiatives to encourage housebuilding through social housing or the SME sector could also increase the demand for, and costs of, scarce material and labour resources. As all elements of the anticipated changes from the Housing White Paper are clarified, and if the terms of the Help to Buy scheme are amended, this could have a disruptive effect on the planning system, revenues and customer behaviour. The Hackitt Review, instigated following the Grenfell fire tragedy in June 2017, is expected to deliver its final report in the near future. While focused on high-rise buildings, the review is wide-ranging, examining the regulatory system around residential buildings. Obtaining timely planning permissions and achieving other regulatory requirements and permits is key to starting on site as soon as possible. There remains a risk of delayed or refused planning applications, increased timescales to the discharge of planning conditions and greater complexity around Section 106 since the introduction of the Community Infrastructure Levy (CIL).	We monitor Government policy in relation to housebuilding very closely and continually review changes to Building Regulations and supporting guidance. The Group undertakes extensive pre-acquisition due diligence on planning and technical issues. The Group has considerable in-house technical and planning expertise focused on complying with regulations and achieving implementable planning consents that meet local requirements. For more detail see the Corporate and Social Responsibility section on page 40. The Group is focused on acquiring housing sites already identified in Councils' Local Plans. In addition to actively engaging with industry bodies on potential changes, we regularly review and assess our land portfolio to accurately forecast likelihood of planning consent and associated commencement dates. Both major political parties in the UK continue to support the Help to Buy scheme which received additional funding in 2017 and is scheduled to remain in place until 2021. Recent changes in stamp duty for first-time buyers should also support activity levels in the market.	MEDIUM/ HIGH	

Our principal risks continued

Risk	Potential impact	Mitigation	Rating	Change since last year
3 **Adverse economic outlook**	The housing market is sensitive to changes in unemployment, interest rates and consumer confidence. Any deterioration in economic conditions may decrease demand and pricing for new homes, which could have a material effect on our revenues, margins and profits and result in the impairment of land and property values and an inability to realise maximum value in a timely fashion.	We carry out extensive due diligence prior to our land investment decisions and ensure that all sites are in locations with healthy levels of demand. We continually monitor key indicators on the direction of the UK housing market so as to manage our exposure to any future market disruption.	HIGH	→
4 **Lack of mortgage availability**	The cost of servicing a mortgage continues to be at historic lows. However, a change in business confidence, employment opportunities or significant changes in the Bank of England base rate that is not combined with wage growth could impact the demand for housing, which may also lead to lower selling prices. The ability of first time buyers to purchase homes is constrained by changes in mortgage availability at higher loan-to-value levels. Sustained growth in interest rates and low wage inflation could challenge mortgage affordability.	We select our site locations that best meet the needs of the local community and customer demand now and in the future. The Government-backed Help to Buy supports customers to gain access to the housing market with competitive mortgage rates and funded home deposits. £10 billion additional funding was announced at the Conservative Party Conference in 2017 to support the Help to Buy scheme until its currently forecast end in 2021. However, there is potential for change to the scheme rules and potentially its discontinuation. We continue to promote this scheme and our customers demonstrate strong demand for it. The Group continues to monitor the lending criteria of the key financial institutions. The Group offers a high level of sales support to customers and this includes assistance with obtaining mortgages at a suitable interest rate.	HIGH	→

Risk	Potential impact	Mitigation	Rating	Change since last year
5 **Inability to source suitable land**	Land is a valuable resource for the Group. The purchase of land of poor quality, at too high a price, or incorrect timing in relation to the economic cycle could impact future profitability. Acquiring insufficient land would reduce our ability to actively manage our land portfolio and create value for shareholders.	The Group has an experienced management team with a strong track record in the industry which ensures that there is disciplined purchasing of land of the appropriate quality, on attractive terms and at the right time and scale in the economic cycle. Understanding the markets in which we operate is central to our strategy and, consequently, land acquisition is focused on our core markets in the South and South-East of England. All potential land acquisitions are subject to a formal appraisal process.	LOW	→
6 **Inability to attract and retain high-calibre employees**	Having an appropriately skilled workforce is a key requirement for the Group to facilitate the growth of the business in the highly competitive market in which it operates.	The Group maintains good morale in the workplace and sets remuneration packages at attractive levels.	LOW	→
7 **Inadequate health, safety and environmental procedures**	A deterioration in the Group's health, safety and environmental standards could put the Group's employees, contractors or the general public at risk of injury or death and could lead to litigation or penalties or damage the Group's reputation. A lack of adequate procedures and systems to reduce the dangers inherent in the construction process increases the risk of accidents or site-related catastrophes.	Overseen by our head of Health and Safety, procedures, training and reporting are all carefully monitored to ensure that high standards are maintained. The assessment of environmental risk is an important element of the due diligence undertaken prior to any purchase of land. The Group uses reputable environmental consultancy firms to assist in this area.	MEDIUM	↓
8 **Rising cost and availability of materials**	The expansion in UK housebuilding has driven an increase in demand for materials which may continue to cause availability constraints and/or costs to increase. Prices for key materials may also be affected by currency movements as the Brexit process continues. Shortages or increased costs of materials or the inability to secure supplies upon appropriate credit terms could increase costs and delay construction.	We closely monitor our build programmes and our supply chain enabling us to manage and react to any supply chain issues. We build good relationships with suppliers to ensure consistency of supply and cost efficiency.	MEDIUM	→

Our principal risks continued

Risk	Potential impact	Mitigation	Rating	Change since last year
9 **Availability of sub-contractors and suppliers**	A continued increase in housing production may further strain the already reduced availability of skilled sub-contractors. In addition, leaving the EU could impact on the availability of skilled workers given the relatively large proportion of the labour force, particularly in the South-East, that is from Eastern Europe. Together, this could result in build programme and completion delays. The majority of work performed on our sites is sub-contracted to various trades, providing flexibility. If the availability of sub-contractors is insufficient to meet demand, this could lead to longer build times and increased costs, thereby reducing profitability. Lack of skilled sub-contractors could also result in higher levels of waste being produced from our sites and lower build quality. Shortages of skilled labour or the failure of a key supplier could increase costs and delay construction.	When selecting our sub-contractors, we consider competencies particularly in relation to health and safety, quality, previous performance and financial stability. We seek to establish and maintain long term supplier and sub-contractor partnerships. Our build programmes are monitored closely which enables us to manage our labour requirements effectively. We maintain regular contact with our sub-contractors and provide high-level and site-specific programme information to them to aid with demand planning.	MEDIUM	↑
10 **Construction costs not adequately controlled and delays**	A lack of project oversight can lead to unforeseen cost increases and erode margins, increasing pressure to contain costs and potentially reduce quality.	The Group has built strong relationships with principal contractors which increases communication and facilitates early notification of issues. We provide advance notice of our site plans and build programmes to sub-contractors. This helps them to plan and builds confidence to expand the workforce to meet the requirements of our projects. We regularly review the progress and cost forecasts for each of our projects to ensure that any impact is minimised.	LOW	→

Risk	Potential impact	Mitigation	Rating	Change since last year
11 **Lack of financing at appropriate rates**	The lack of sufficient borrowing facilities could impact on the Group's ability to implement its current strategy. An increase in interest rates would lead to increased borrowing costs and thus have a detrimental effect on profit.	At the year end, the Group has £72.5m of cash and headroom on its existing facilities. We have excellent relationships with existing and other lenders and continue to seek finance from alternative lending sources to further improve the Group's liquidity. The Group mitigates any adverse exposure to interest rate changes by controlling its gearing and, if necessary, by using hedging instruments.	MEDIUM	→
12 **Cyber and data risk**	The Group places significant reliance upon the availability, accuracy and security of all of its underlying operating systems and the data contained therein. The Group could suffer significant financial and reputational damage because of the corruption, loss or theft of data, whether inadvertent or via a deliberate, targeted cyber attack.	The Group has a fully-tested disaster recovery system which is tested annually as part of a third party supplier contract. There is a boundary firewall at each of our locations with a fixed internet line. All emails are encrypted by Transport Layer Security Protocols and every workstation is protected by centrally managed corporate Anti-Virus systems as well as by a firewall.	MEDIUM	→

Portfolio review

"It has been another successful and very active year for the Group with growth across all areas of the business in line with our strategic plan."

Gary Skinner
Managing Director

It has been another successful and very active year for the Group with growth across all areas of the business in line with our strategic plan. Revenue, homes delivered and under construction, land plot sales and our land bank have all increased.

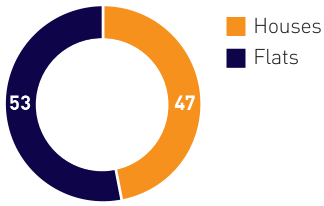
Land bank

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 a highly experienced and knowledgeable land and planning team and the team we now have in place ensures that we continue to be able to negotiate the complex landscape and deliver consented land both for sale and for our own construction activity.

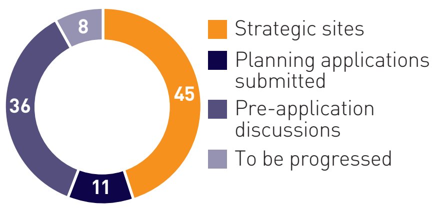
We sold 837 land plots in the year, comprising 480 plots to private housebuilders, and 357 plots to Housing Associations. Despite these disposals and the 275 house sales in the year, our land bank still increased from 6,776 at 30 June 2017 to 6,870 plots at the year end.

We are continuing to see strong demand on our land sales and where appropriate we are targeting these sales to the major Housing Associations and where our Partnership Housing team can secure the related build contract as part of the transaction. Demand for consented and unconsented land within the London suburbs, home counties and the South-East remains strong amongst the major housebuilders particularly given the decline of the London housing market. The planning system continues to be the single biggest factor prohibiting housing delivery due to sustained lack of investment in the public sector planning departments. This has resulted in an increase in both planning costs and timetable to achieve planning consents. During the current financial year Inland will continue to focus on growing the land bank through the acquisition of brownfield sites and options over greenfield sites in strategic locations throughout the South East. In line with recent years, the pattern of land sales is likely to result in the profits for the year to 30 June 2019 being heavily weighted to the second half.

Total land bank split by type (%)



Status of planning (%)



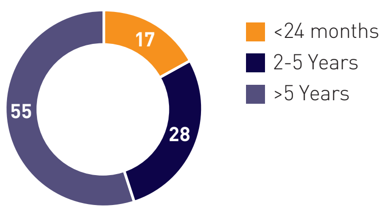
Construction and sales

An increasingly core business activity is our private housebuilding and partnership homes activities. We completed on 275 open market completions (including joint ventures), an increase of 46% from 188 last year and increased the Partnership Housing equivalent units from 37 to 79, an increase of 114%.

The average sales price of our residential units was £293,000 (2017: £306,000), and we continue to see significant demand from first-time buyers. Help to Buy has been a major influence, with 58% of our sales utilising the Government scheme. The abolition of SDLT for first-time buyers on homes of up to £300,000 has also benefited our sales, with 61% of our buyers purchasing under this price point. A combination of the two schemes and tailored incentive packages from Inland Homes has proven effective, with an increase in visitors and reservations at various sales events. Customer demand for our good quality, affordably priced homes remains strong and the average sales rate per active site during the second half of the year was 1.34 units.

As previously stated, we are committed to improving our housebuilding margins which we believe will come primarily through scale. Already, the increase in the volume of units we are constructing has enabled us to negotiate group deals at discount rates, including rebates, with national material suppliers, driving down our build costs, and alleviating the upward pressure on construction costs.

Unit completion timescale (%)



We believe we now have in place a construction team that can help us deliver on our stated target of building 1,000 homes a year, having added a number of highly skilled people to the team from across the industry. Our staff numbers have increased to 105 at 30 June 2018 from 74 last year. Career progression, long term incentivisation and a good working environment, should ensure that we maintain the quality and strengths of the team going forward.

Validating our Partnership Housing strategy, we secured our largest build contract to date with A2 Dominion, one of the UK's biggest Housing Associations. We sold our site at Church Road, Ashford in Middlesex for £29.7m and simultaneously signed a £65m construction contract for delivery of 357 houses and apartments. Together with our contracts at Alperton and Witley Gardens, Southall our Partnership Housing order book currently stands at approximately £100m for the delivery of over 500 affordable homes over five years.

We currently have 13 sites under construction which are diverse in both location and type of build. At the year end there were 682 homes under construction (including 220 Partnership Housing units) compared to 427 last year with 82 reserved or exchanged representing forward sales of £19.7m. We anticipate a slight drop off in the number of open market completions next year due to the build cycle of our sites. In line with the increasing demand from Housing Associations who have been tasked by the Government to increase the number of homes within their portfolios, we are targeting the delivery of 200 Partnership Housing units during the current year, resulting in an overall increase in total completions.

275
open market completions

837
land plot disposals

682
homes under construction

Portfolio review continued

Sites under construction

Chapel Riverside, Southampton

This riverside regeneration site is being delivered by way of a Development Agreement with Southampton City Council. It comprises of 457, one, two and three bedroom new build apartments plus 64,000 sqft of commercial space. In addition to the construction of the dwellings, there is a high element of civil infrastructure investment required. This includes the construction of a 210 metre long sea wall and the relocation of three water settlement tanks. This project is a lightweight steel frame construction, the first phase will complete in October 2018 with 36 private sale and 27 PRS completions achieved for the year to 30 June 2018. This is a six year development which is expected to complete by 2024.

Chapel Riverside, Southampton has added greatly to our accomplishments on the South Coast, selling out the first phase in just 17 weeks, with an average reservation rate of 2.63 per week. There has been a strong demand in the Southampton area. We have achieved 160 legal completions for the region this year and won the "Regeneration Project of the Year" award for Meridian Waterside, at the prestigious South Coast Property Awards.

p.46 Case study: Chapel Riverside, Southampton

Meridian Waterside, Southampton

This brownfield regeneration of the former Meridian television studios is adjacent to the River Itchen in Southampton. The development comprises of 350, one, two and three bedroom new build apartments plus 5,415 sqft of commercial space. Phases one and two were of traditional construction and comprised 96 homes. The final private sale completions in phase two were achieved in June 2018. The remaining 254 apartments in phases three and four are concrete frame construction up to 10 storeys high and piling commenced in August 2018. Completion is expected during 2021.

Wessex Hotel, Bournemouth

The Wessex Hotel site was previously an operating hotel and is within walking distance of Bournemouth town centre on the south coast and will comprise 88 apartments (one and two bedroom) in two blocks together with a new 105-bed hotel where we have entered into a 25-year pre-let with Whitbread for a Premier Inn. This project is light weight steel frame construction over a concrete basement carpark. Construction commences in September 2018 with completion expected in the first quarter of 2021.

Lily's Walk, High Wycombe

This brownfield regeneration site on a former gas works in the heart of High Wycombe with sloping terrain presented a range of challenges to overcome. The project comprises 239, one and two bedroom new build apartments plus 15,800 sqft of commercial space and a Town Centre relief road. This four-year project is a concrete frame construction with the first completions due in June 2019.

Abbey Wharf, Alperton

This is a brownfield regeneration of a former light industrial site adjacent to the Grand Union Canal in Alperton, near Wembley in North West London. A partnership contract was secured with Clarion Housing Association for £30.0m during the year for the construction of 135, one and two bedroom apartments. This project is concrete frame construction and is due to complete in September 2020.

Europa Way, Ipswich
This is a former light industrial site in Ipswich where we secured planning for 94 two, three and four bedroom houses and one and two bedroom apartments. The site was transferred into a 50:50 joint venture with the Anderson Group who are constructing the development and with Inland Homes undertaking the sales and marketing function. The project commenced in February 2018 with the show home opening in October 2018 and first completions due in January 2019.

Bucknalls Lane, Garston
This green belt release site between Watford and Hemel Hempstead comprises 100 two, three and four bedroom houses and one and two bedroom apartments. This project is in a 50:50 joint venture with the existing landowners and Inland Homes. Construction commenced in May 2018 with the show home opening in Autumn 2018 and first completions expected in Spring 2019.

Church Road, Ashford
The former Brooklands College in the town centre in Ashford, close to Heathrow Airport, will be developed into 357 homes (one and two bedroom apartments and three bedroom houses) plus 6,700 sqft of commercial space and 4,700 sqft of educational space. After receiving planning permission in December 2017, we purchased our joint venture partner's 80% interest in March 2018. In June 2018, we sold the site to A2 Dominion for £29.7m and simultaneously signed a £65.1m construction contract for this concrete frame build project. Construction commenced in July 2018 and phased completion is forecast for between 2020 and 2023.

p.34 Case study: Church Road, Ashford

Planning and future pipeline
During the year ended 30 June 2018 new planning approvals and resolutions to grant planning approval had been received for 594 residential units.

Detailed accounts of our key projects at Wilton Park, Beaconsfield and Cheshunt Lakeside, Hertfordshire are set out in the Chief Executive's review.

Gardiners Lane, Basildon
A designated for development site, this is also a joint venture with the Anderson Group on a site in Basildon with the partners having the same responsibilities as at Europa Way outlined above. Phase one comprised of 43 two, three and four bedroom houses and one and two bedroom apartments. This phase is now complete and the joint venture is in the process of purchasing phase two where planning has been procured for 33 homes. Construction is expected to commence in November 2018.

Strategic land
We continued to strengthen our land bank during the year to ensure that our pipeline of prospective projects extends well into the future. We acquired options over 90 acres of strategic land across eight different locations which has the potential for 771 plots and we now have 24 options covering approximately 380 acres of potential development land secured at attractive discounts to market value.

Church Road, Ashford

In June 2018, we sold the 10-acre site at Church Road, Ashford to A2 Dominion for £29.7m and simultaneously signed a construction contract for £65.1m after receiving planning permission for 357 homes (including 32 affordable units) and 6,700 sqft of commercial space.

As part of the deal we also retain the commercial space. In March 2018 we bought our joint venture partner's 80% interest in the project.

The site was originally part of Brooklands College and the archway from the original building will be retained and will form part of a 1,000m^2 pocket park. The site will also contain one hectare of open space including park and play areas which along with the pocket park will be open to the public.

The archway from the original building will be retained and form part of a 1,000 m^2 pocket park.

The development will benefit from solar lights throughout the site and the parking will contain electric vehicle charging points. Our SUDS strategy ensures that there is zero rainwater run-off from the site.

We have already relocated a gym that operated on the property and new premises will be built on-site for the Hair and Beauty Academy which also existed on the site previously.

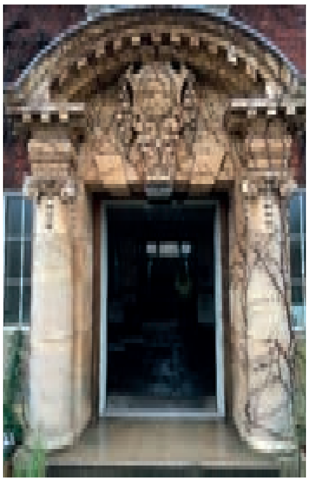
Our journey

July 2005:
Site purchased for £12.8m in 20:80 joint venture with CPC Group Limited

September 2017:
Planning application submitted for 357 homes

December 2017:
Planning permission granted

March 2018:
Purchased joint venture partner's 80% interest for £16.3m



Clockwise from far left: CGI artist's impression; Archway retained in pocket park; One-hectare park available for public use.

Preparatory work on the site has been completed and construction commenced in July 2018. The build programme is split into five phases which will complete between 2020 and 2023.

This transaction is our largest partnership deal to date and demonstrates our flexible and innovative approach to land transactions as well as the skills of our experienced team.

1. 73 units
2. 32 units
3. 145 units
4. 81 units
5. 26 units

June 2018: Partnership deal with A2 Dominion. Land sale £29.7m and £65.0m construction contract

July 2018: Construction commenced on site

February 2020: Phase two expected to complete

September 2021: Phase one expected to complete

January 2022: Phase three expected to complete

March 2023: Phase four expected to complete

October 2023: Phase five expected to complete

Finance Director's review

"Our priority is to build on the strong financial performance during the year and, with a significantly enlarged, highly qualified team in place, we believe we are now in a position to effectively manage this increasingly broad range of activity and to meet our growth ambitions for Inland Homes."

Nishith Malde
Group Finance Director

EPRA NAV per share up

6.3%

Recurring profit before tax up

6.6%

The Group generated record revenues of £147.4m (2017: £90.7m) with recurring profit before tax of £19.3m (2017: £18.1m), being an increase of 6.6% over the previous year. The Group's revenues are derived principally from the following activities:

- Trading parcels of land to other housebuilders
- Disposal of parcels of land to Registered Providers or PRS operators as part of our Partnership Housing business
- Private homes built by the Group for open market sale

Group income statement

The rise in revenues has resulted predominantly from the increase in our housebuilding activities and disposals of land parcels to both developers and Registered Providers. The Group sold 837 plots (2017: 780 plots) for £59.3m (2017: £49.4m) as shown in the table below.

The Group's revenues continue to grow with substantial sales being generated from its land trading activity. This is increasingly being supported by Partnership Housing that involves the sale of land followed by a construction contract to build the homes. Partnership Housing has led to a surge in contract income by 287%, from £3.1m to £12.0m. The Group recognises the revenue on construction contracts based on the proportion of the contract completed. As a typical construction contract has a build programme of more than 12 months, this includes revenue from construction contracts that were entered into in previous years and continued during the financial year ended 30 June 2018 as well as new contracts exchanged during the year. A key focus of the Group's strategy is to grow its Partnership Housing business and, as at the year end, the construction order book under this activity amounted to £98.0m which will be delivered over the next five years. This activity enables the Group to recognise revenue and profitability much earlier compared to the sale of homes on the open market to private purchasers. It also de-risks part of the Group's operations and reduces net borrowings.

We completed the sale of 275 private homes during the financial year (2017: 188 homes) at an average price of £293,000 (2017: £306,000) producing revenues of £70.2m (2017: £57.7m).

	2018		2017	
	Plots	**£m**	Plots	£m
Land assets sold directly	**837**	**59.3**	207	22.4
Disposal of interest in joint venture	**–**	**–**	400	11.0
Land sold by corporate disposal	**1**	**1.2**	173	16.0
Total plot sale revenues	**838**	**60.5**	780	49.4

Gross profit was £31.8m (2017: £19.5m) representing a total margin of 21.6% (2017: 21.5%). The gross profit from land sales was £18.3m (2017: £19.2m) including the disposal of our interest in a joint venture and land sold via a corporate disposal) representing a margin of 30.2% (2017: 38.9%). The gross profit from private housebuilding was £7.7m (2017: £8.7m), delivering an 11.0% margin (2017: 15.1%). As stated in my previous year's report, the lower margin is due to an increase in site-wide costs on certain large project and continued additional remedial costs on some historic projects. Our margins on new developments for open market sale are expected to increase as the expansion in the Group's in-house build capacity results in additional buying power and general efficiencies within the supply chain. The gross profit from construction contracts was £1.8m (2017: loss of £0.3m), representing a margin of 15.0% (2017: loss of 9.7%). We expect a minimum margin of 10% on Partnership Housing construction contracts. This is in addition to the margin made on the related land disposal which varies from site to site.

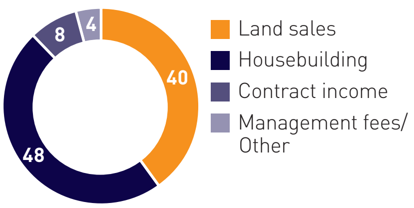
Our average number of employees has increased by 58% from 59 to 93 during the year as the Group has expanded its in-house construction capabilities to self-deliver most of our sites and increase its operational capacity for growth. This investment into the Group's growth and expertise has inevitably led to a rise in our administrative costs by 22.1% from £7.7m to £9.4m, representing 6.4% of revenues.

Gross finance costs reduced by 23.5% from £8.1m to £6.2m, partly due to notional interest of £1.4m charged in the previous year that has not been incurred this year. It also reflected a general reduction in some of our funding costs in spite of gross borrowings, having increased from £94.5m to £120.1m. Included within finance costs is £1.1m (2017: £1.1m) in respect of the coupon on zero dividend preference ("ZDP") shares. The Group capitalised £1.1m (2017: £1.1m) of finance costs within the carrying value of the Wilton Park site in accordance with IAS 23 Borrowing Costs, as it is constructed over a significant period of time and is complex in nature.

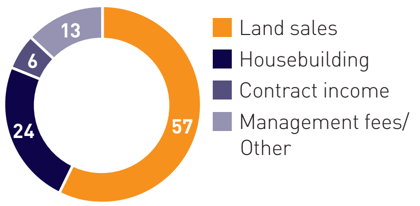
Tax charge

The total tax charge of £3.9m represents 20.2% of the profit before tax. The current corporation tax rate is 19% and the small difference arises due to the disallowance of the interest accrued on the zero dividend preference shares together with other expenditure disallowed for tax purposes.

Revenue by segment (%)



Gross profit by segment (%)



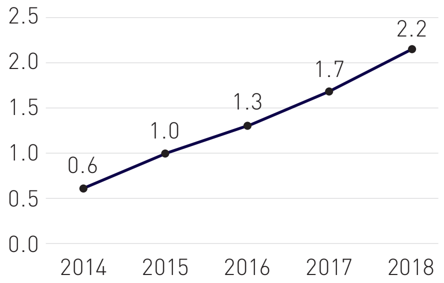
Finance Director's review continued

Earnings per share and dividend

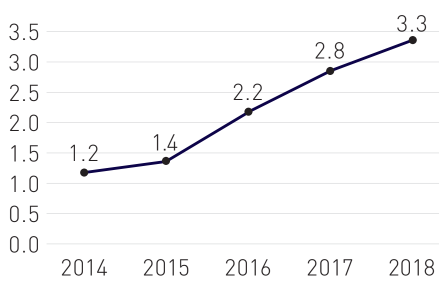
Basic earnings per share reduced by 2.3% to 7.64p (2017: 7.82p) per share while the basic earnings per share excluding revaluation gains has increased by 7.8% from 7.09p to 7.64p.

The Company continues to maintain a progressive dividend policy having already increased the interim dividend by 30% to 0.65p (2017: 0.50p) per share, that was paid on 29 June 2018. The Board has recommended a final dividend of 1.55p (2017: 1.20p) per share, giving a total increase of 29.4% over the previous year and delivering a yield of 3.3% based on the share price at the financial year end of 67.5p. The proposed final dividend will be paid on 25 January 2019 to shareholders on the register at the close of business on 28 December 2018. The ex-dividend date is 27 December 2018.

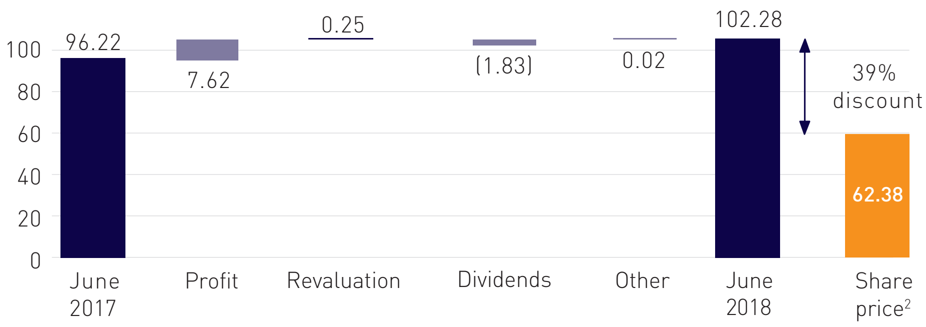
Dividend growth (p)



Dividend yield (%)



EPRA NAV[1] p



[1] On an undiluted basis.
[2] At 19 September 2018.

Group balance sheet

Net assets of the Group have increased to £142.4m at 30 June 2018 from £130.6m, principally due to retained earnings for the financial year net of the dividends paid in January and June 2018. This translates to net assets of 70.46p per share (2017: 64.62p). The undiluted EPRA net asset value per share at the year end was 102.28p (2017: 96.22p).

Joint ventures

The investment period within the Project Helix joint venture with CPC Group Limited came to an end in December 2017. After planning consent was received for the joint venture's land at the Church Road site in Ashford, Middlesex the Group purchased the remaining interest.

We are a 50% partner in Cheshunt Lakeside Developments Limited where we injected a further £5.3m by way of loans to fund the acquisition of further parcels of land, work in progress and finance costs.

The Group has a 50% interest in Bucknalls Developments Limited which secured detailed planning consent in March 2018 on the site at Bucknalls Lane, Garston. We have increased our loans to the joint venture by £1.2m to £5.6m to fund the initial construction costs. Shortly after the year end, we secured senior debt funding for the development of 100 homes on the site.

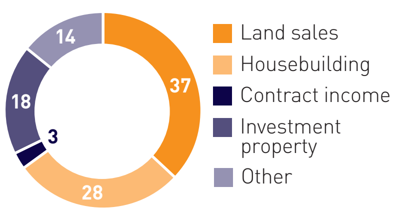
We also have a 50% interest in two joint ventures with Constable Homes Limited, one of which was the development of 43 homes at Gardiners Park, Basildon where 33 homes were sold by the year ended 30 June 2018, generating a profit of £1.6m. Our investment in this venture has been fully repaid. The other is at Europa Way, Ipswich, where construction is now under way for 94 homes funded by a senior debt facility.

Other assets

Inventories comprise largely of sites (with and without planning), professional fees incurred in the planning process and option fees for strategic sites. The carrying value of inventories have remained relatively static in comparison to the previous year due to new opportunities being focused on options over strategic sites which are light on capital.

Trade and other receivables stand at £41.4m (2017: £28.1m) with approximately £24.9m being outstanding in relation to land transactions of which £11.0m is due after more than one year.

Assets by segment (%)



Net debt and borrowings

Our cash balances at the year end stood at £40.4m (2017: £26.5m) with net debt at £79.7m (2017: £68.0m). As expected net debt has increased due to the expansion in the Group's housebuilding for open market sale and represents net gearing of 56.0% (2017: 52.1%) on net assets of £142.4m (2017: £130.6m) or 38.6% (2017: 35.0%) on EPRA net assets of £206.7m (2017: £194.4m).

We have undrawn committed bank facilities at the year end of £32.1m (2017: £11.2m). Although £44.4m of our borrowings fall due within one year, in August 2018 we extended the maturity date of £18.4m ZDP shares by five years to 10 April 2024. In addition, we issued a further 1,000,000 ZDP shares at 150.8p per share raising a gross sum of £1.5m. The gross redemption yield will reduce from 7.3% per annum to 5.25% per annum as from 10 April 2019.

Inland Homes has a revolving credit facility of £20.0m from Barclays to fund construction costs relating to the development of private homes for open market sale. As at the year end, the Group had drawn £13.8m of this facility. The Group also has a revolving credit facility of £17.2m from a Fund to finance sites with and without planning consent, that falls due for repayment in August 2020. This facility was fully drawn down at the year end.

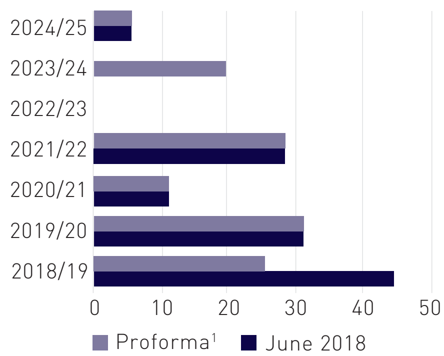
During the year we secured a facility for £11.5m from Homes England for infrastructure and development costs in respect of 450 homes at our site, Chapel Riverside in Southampton. As at 30 June 2018, a substantial part of Phase 1, comprising 72 units had been built and sold and consequently the full facility was available to fund ongoing costs.

We have a revolving cashflow facility of £24.0m to finance the construction of 239 homes at Lily's Walk in High Wycombe. The Group had drawn down £10.7m of this facility at the year end.

The Group is also in advance negotiations and has received strong indications that its borrowing facilities of £26.0m expiring in December 2018 will be extended by another 12 months.

Inland Homes is in a solid financial position with a good spread of borrowing facilities to fund both land purchases and construction costs for the delivery of its strategic growth plans. This will be complemented by the expansion of its Partnership Housing activity which obviates the need for equity or debt and assists in reducing the Group's gearing levels.

Debt maturity (£m)



Cash and headroom at 30 June 2018

£72.5m

2017: 37.7m

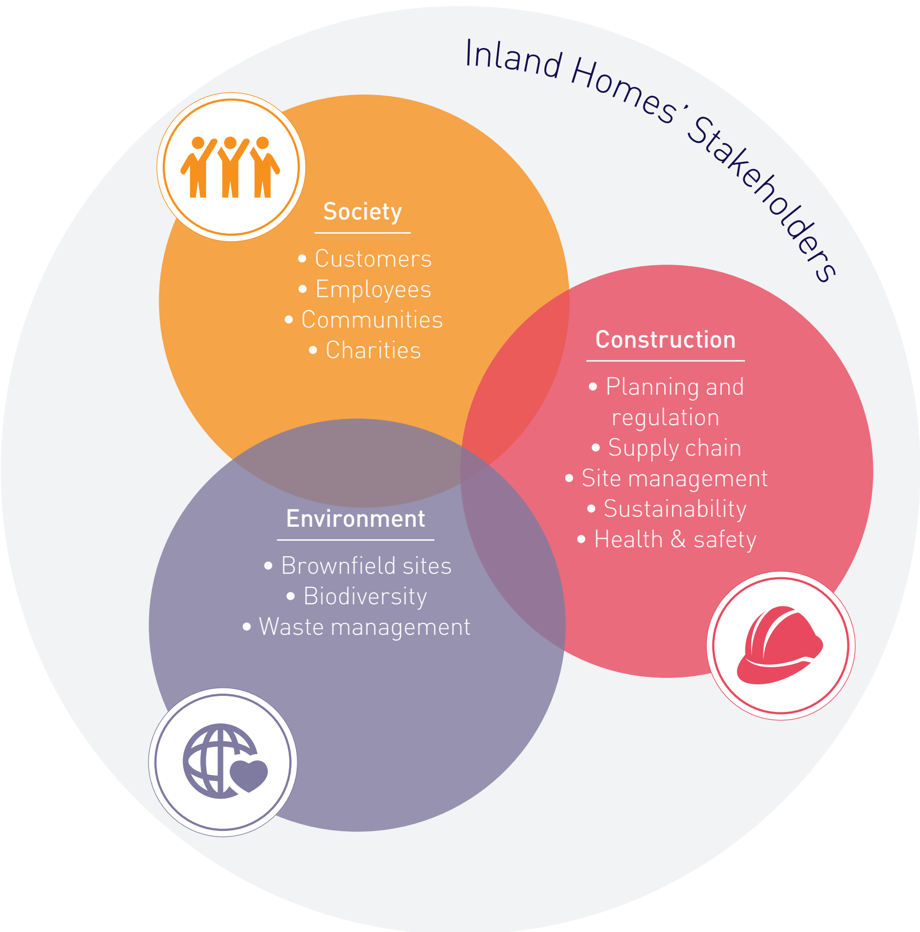
	Proforma June 2018[1] £m	June 2018 £m	June 2017 £m
Borrowings	**120.1**	120.1	94.5
Net debt	**79.7**	79.7	68.0
Cash and headroom	**74.0**	72.5	37.7
Gearing – IFRS	**56.0%**	56.0%	52.1%
– EPRA	**38.6%**	38.6%	35.0%
Average maturity – facilities	**2.3 yrs**	1.7 yrs	2.7 yrs
– borrowings	**2.6 yrs**	1.9 yrs	2.7 yrs
Weighted average cost of debt[2]			
– Housebuilding	**n/a**	3.1%	3.5%
– Land and investment property	**n/a**	5.9%	6.2%

[1] Proforma figures include ZDP refinancing in August 2018.
[2] Excludes ZDP.

Corporate and Social Responsibility

The Board is responsible for the governance of the Group's corporate and social responsibilities. Our sustainability strategy is an inherent part of the Group's overall business strategy.

Our activities can be split into the following three areas:



Society

Customers

Ensuring customers have a positive experience throughout their interaction with us increases the likelihood of us securing project partnerships with developers and repeat custom or recommendations from homeowners.

Our customer service procedures ensure that in the unlikely event a customer is dissatisfied, we are able to quickly respond and deal with the issue. We operate a dedicated Customer Service mailbox for each development. This enables our Customer Service team to log all reported issues and enquiries on dedicated trackers to monitor progress in addressing issues and to keep the customer informed. 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 steps will be taken to resolve it. Our Customer Service Managers will attend face-to-face meetings with customers, where appropriate, to discuss, inspect and investigate reported issues first-hand and make immediate determinations as to how to resolve these issues. In the case of residential sales, our relationship with the homeowner also continues after the sale of a house, with close monitoring and support being provided, and customer feedback being sought with a view to improving our performance on future projects.

During the year, we adopted a full suite of policies for the purposes of the General Data Protection Regulation (GDPR). These included our customer privacy policy which is on our website. We provided training in those policies to all our customer-facing staff who are also required to complete an e-learning data protection module. We also contacted all of our customers, giving them the option to opt out of future mailings of marketing information.

Affordability

The Government's recent White Paper on the reform of the housing market and boosting of supply of new homes in England highlighted that, in the current market place, affordability is often a barrier to people wanting to either take their first step on the property ladder or to upsize as their circumstances change. We recognise that supporting the affordability of new homes is vital to the continuing success of our business and our wide range of houses and apartments enables our customers to select the right property for their needs and budget. Our average selling price this year was £293,000 (2017: £306,000). The Government's Help to Buy schemes have been an important mechanism to support home ownership and of the 275 homes sold this year (2017: 188), 58% were purchased using these schemes.

Employees

Our people are our greatest resource. Without the knowledge, skills and experience of our staff we would not be able to deliver our strategy and value to our shareholders. As our housebuilding operations have expanded, our staff levels have grown accordingly. Over the past two years, we have grown from 33 to 105 employees at 30 June 2018. This level of growth can create communication challenges and to alleviate this potential issue we have introduced an intranet portal for all personnel during the last year. We believe in treating all of our employees and sub-contractors fairly and responsibly. We offer competitive salary and benefit packages, including pensions, life assurance and an interest-free loan share purchase scheme. We also support the Government's Cycle to Work scheme.

The bringing of new talent into the Company is hugely important, especially 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 on-site, working with our sub-contractors. We hire graduates and apprentices and we offer work experience to students where there is a potential of a permanent employment position at the end. We employed four new apprentices during the year.

The Group provides extensive training for all our staff and achieved an average of 8.5 days of training per employee during the year ended 30 June 2018. We support all staff with training that is specific to their role. All site-based staff undertake mandatory training in site safety and first aid at work and are expected to have the relevant CSCS card. We also provide bi-monthly management training workshops to upskill our managers and during the year we instigated e-learning programmes for DSE and for the new GDPR policies referred to above (see "Customers" section).

A full suite of human resources (HR) policies has been formalised and implemented during the year and in January 2018, we introduced an HR information system which has the benefit of a self-service module, helping to streamline our processes and procedures. New and revised policies adopted during the year include maternity/paternity leave, adoption leave and whistleblowing.

Communities

Close collaboration with planning authorities and engagement with local communities enables us to refine our developments so as to reflect local demands within each locality that we serve.

We understand that the process of development and the consequences of investment decisions have a lasting effect upon local communities. The delivery of new homes comes with the responsibility of ensuring that the impact upon the lives of new and existing residents is understood and mitigated. We recognise that whilst we aim to have a positive effect on the communities in which we operate, existing and future residents may have concerns about perceived negative impacts of our construction and the future life of our developments. We appreciate that the local community has a right to enjoy their homes

Board of Directors

86%
14%

Senior managers

80%
20%

Other employees

71%
29%

Total employees

72%
28%

Corporate and Social Responsibility continued

"The children have not stopped talking about their visit to Lily's Walk and were so impressed by the different skills and machinery."

and working environment without nuisance caused by our works. Our sites have stringent procedures in place to reduce noise, dust and nuisance which may be caused by additional vehicular traffic both during and after the construction period. Our partnership sites are registered for the Considerate Constructors Scheme and in the year to 30 June 2018 our average score across the Group was 39 out of 50, well above the national average of 36/50.

Charities

We support local and national charities, as well as the communities in which we operate. We continue to support The British Institute of Brain Injured Children (BIBIC), the National Autistic Society and the London Taxi Drivers' Fund for Underprivileged Children as well as sponsoring local football and cricket teams.

Environment

Biodiversity and ecology

We continue to carry out biodiversity and ecology risk assessments as part of the site planning process, ensuring that the full impact of the development is fully understood and associated mitigation measures implemented if necessary.

Brownfield sites make up 60% of the owned and controlled plots in our land bank and this strategy will continue to be important in our future plans.

Brownfield sites

The majority of our sites are "brownfield" meaning they have been previously used or built upon. These sites often present environmental issues which, whilst

Lily's Walk, High Wycombe

In May 2018, the Lily's Walk project team arranged for a local primary school to visit Lily's Walk.

"I wanted to write to you to personally thank you for all the hard work and effort you have put into organising such a wonderful and memorable trip for our Nursery children today. The planning of the trip, from the moment I met you to start discussing it to the moment our bus left the site today has been so thorough and thoughtful. Your team has gone above and beyond to accommodate the children safely and ensure such an educational and beneficial visit.

Since arriving back to Nursery the children have not stopped talking about their visit to Lily's Walk and were so impressed by the different skills and machinery. The digger that you had moved into the safe zone for them to be able to actually sit on was a wonderful touch and a real highlight for the children. The packs and hats you have also thoughtfully given to the children were very well received and the children could not wait to share them with their parents at pick up time this morning. Many parents asked me to personally pass on their thanks to you too. It has been a real opportunity to build a link in the community and we do hope that in the future we may be able to bring the children back to see the progress of the work. It was already staggering to see what had changed since we

last visited to do the risk assessment.

Once again, I would like to thank you for providing the opportunity for our young children to learn so much in the real building world. The set up you had provided meant that the children could have the best possible hands-on learning experience with ultimate safety too."

Hannah Smart, Head of Nursery
Godstowe Preparatory School

generally of a relatively minor nature, can on occasions be more complex and challenging. The Group has experience and expertise in dealing with these issues.

As an example, we are developing the former gas holders' site at Lily's Walk next to the town centre at High Wycombe. The site was a gas works for over a century, and inevitably the ground below the site contains various levels of contamination. To minimise the potential disturbance to the ground, we are constructing the buildings on sleeved concrete piles using methodology agreed with the Environment Agency and Thames Water to prevent any contamination leaching into the aquifer below the site. Additionally, Chapel Riverside in Southampton provided several environmental challenges and these are discussed in more detail on page 46. Projects such as these highlight our technical skills and ability to resolve issues using innovative solutions, enabling us to pursue projects which would be unattractive to developers who lack our expertise and experience.

Waste management

The Group is committed to reducing waste, arising from its construction activities and to recycling waste wherever possible. Our methodology can be summarised as "reuse, recycle, recover". Disposal at landfill is regarded as a last resort, to be used only when none of these options are possible.

Construction

Planning and regulation

As part of the planning process for each development, our consultation process involves engaging with a range of stakeholders from the existing communities, including local authorities, property owners, businesses, schools and residents' associations. Where possible we incorporate feedback received from our engagement with stakeholders into our project plans.

We contribute to local communities over and above the employment opportunities we offer and the new homes we create. We invest in local communities in many forms, such as parks and public open space; education provision, community buildings and roads and other infrastructure. During the year we paid £2.4m via section 106, legal agreements and CIL payments (2017: £1.5m).

Following the Government's requirement for housebuilders to review the fire strategy of their buildings, all apartment buildings constructed by the Group have been independently surveyed by a third party fire consultant and signed off as fully compliant with all relevant fire regulations.

Supply chain

We strive to work with suppliers and sub-contractors who share our values and who can support our business in a manner that is safe and efficient which reduces adverse environmental impact from operations. We intend that, so far as possible, our relationships with our suppliers are more in the nature of partnerships than one-sided arrangements and we are keen to support our supply chain, appreciating the differences in the ways that people work and offering flexibility where appropriate. We are committed to paying our suppliers and sub-contractors within agreed terms. To improve the collaborative process with our sub-contractors we hosted our first Supply Chain Conference in November 2017 which was attended by over 50 sub-contractors. We used the conference to set out our requirements and expectations and to provide sub-contractors with an opportunity to outline their key aspirations in relation to securing a contract and working for their developer client. We are holding our second conference in November 2018 to continue our dialogue and to further improve our relationships.

As mentioned previously, we actively encourage apprenticeships within the business. During the year we employed three apprentices in construction management.

39 out of 50

score from Considerate Constructors Scheme

60%

of the owned and controlled plots in our land bank are made up of brownfield sites

November 2017

First supply chain conference


Queensgate,
Farnborough

Corporate and Social Responsibility continued

Site management

As we now predominantly self-deliver our homes, we have gained greater control over developments. At all of our self-delivery homes, 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 (see waste management section). We are also 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 less efficient generators.

Sustainability

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 the 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. All of our timber suppliers and manufacturers are registered with either the PEFC or FSC (when every tree is cut down they plant three and all trees cut are from regulated forests in Scandinavia or Canada).

The principles of lifetime homes are incorporated into all of our developments, which means that our homes are designed to be easily adaptable for use by most occupants at all stages of life without the necessity for substantial alterations.

Health and safety

Occupational health and safety is integral to our culture. The Group appointed to a new post a head of Health and Safety in May 2017. The role of the appointee is to advise and assist managers of self-delivery projects on the effective implementation of these projects in a manner which minimises the role of injury or ill-health to those engaged in their delivery.

A steering group comprising all project managers and regional directors meets quarterly to review recent performance and to offer suggestions for further improvement. The steering group also reviews all proposed changes to the management system prior to their implementation.

We believe that our emphasis on high standards of safety from the commencement of each project filters down through our supply chain and encourages good performance from sub-contractors, teams and individuals. The benefits of this approach not only enable us to achieve low accident rates but also contribute to the success and profitability of the business.

As evidence of the benefits of our focus on health and safety, the self-delivery business has completed the last one million man hours worked with no reportable accidents – a zero Accident Frequency Rate (AFR). Our minor injury rate has also reduced significantly. This achievement is due primarily to the commitment, professionalism and competence of our staff.

High levels of safety and quality sit side by side and we will continue our focus on the management of these complementary areas in our future planning.

Zero AFR

for last one million man hours

May 2018

Thames Valley Housebuilder of the Year, Thames Valley Property Awards

Sept 2017

Identified as one of London Stock Exchange Group's 1,000 Companies to Inspire Britain

Chapel Riverside, Southampton

Chapel Riverside represents the first scheme where we have partnered with a local authority.

The site is located a stone's throw from the city's Ocean Village but requires considerable regeneration. While the scheme is technically challenging, progress is running to plan with the team on target to deliver 457 homes over the next six years.

The Chapel Riverside scheme demonstrates how we can deliver significant schemes in collaboration with local authorities. The regeneration site was secured through a development agreement with Southampton City Council, with the aim to provide high-density housing to an area close to the attractive Ocean Village development. The Council continues to own the land and grant us a phased 999-year lease. The development agreement allows us to retain a fixed mark-up on all costs from the profits generated by the development. Any surplus profits above an agreed threshold will be shared between ourselves and the Council.

We undertake careful consideration of the requirements of the community when planning developments and this project is no exception. A number of benefits will be delivered to the community on completion. Currently, the area fronting the River Itchen is all in private ownership. As a result of this project, the waterfront will become accessible to the general public through the inclusion of a riverside walkway and parks in our development. Additionally, the development will contain a 3,600m^2 plaza which will be open to the public.

The scale of the project is considerable and will take six years to complete. Construction of phase one commenced in September 2017 and is due to complete in October 2018. This phase comprises 72 units, all of which (except two show homes) were sold or contracts exchanged at the year end. The construction of the sea wall (phase two) is well underway and should complete in September 2018. Phase three has just commenced and is expected to complete in 2020 with delivery of the remaining phases through to 2024.

In addition to the construction of the dwellings, there is quite a high element of civil infrastructure investment required which is expected to cost approximately £10m. This includes the construction of a 210 metre long sea wall and the relocation of three existing water settlement tanks as well as substantial archaeological excavation.

Challenges

Archaeological works

Archaeological works were undertaken for a period of 13 weeks from January 2017. A 12th century chapel was demolished above ground level in 1964. We undertook extensive excavation work to expose the remains and recorded every aspect. Much was learned about the way the building was used; from when it changed as a chapel to a tide mill and then one of the first steam driven mills in the 18th century. The site held strategic importance in piecing together the final area of what was the Saxon settlement of Hamwic. Our site is on the line of the old Saxon shore and Hamwic. Various finds of medieval pottery, waste pits and other items were discovered.

Site contamination

Originally the site contained the Council's waste and recycling centre, highways division premises for maintenance of refuse vehicles and storage of salt and grit for the roads and a Council double glazing factory. All these activities have contributed to the contamination of the site, including hydrocarbon pluming and asbestos and have to be dealt with as part of the project. Additionally, during site investigation work an old quay previously used for unloading and storing lumber was found to have been filled in together with two mill ponds on other parts of the site. Both of these required complex ground engineering solutions. The reclaimed land build-up does not offer bearing pressures to support any foundation other than a piled solution.

The old quay wall will need to be grubbed out to remove any obstructions within the ground. Any hydrocarbon contamination will be remediated on site and the soil re-used.

Water settlement tanks

The pump house on site handles one-third of Southampton's waste water. In addition, there are three large open air storm water settlement tanks which have to be relocated on the site as part of the project. Lengthy negotiations have taken place with Southern Water and the current proposal is to build an 18-metre deep precase concrete shaft which will use less area and therefore release further land for development. In order to retain control over time and budget we are designing and building this ourselves rather than having to rely on a third party.

Sea wall

The project borders the River Itchen and as can be seen from the site diagram above, the sea wall covers almost half of the boundary of the site and is an extensive undertaking. It is 210 metres long with the outer wall requiring the sinking of 16-metre steel sheet pile walls with an inner wall of nine metres connected by over 100 four-metre steel tie rod bars.

In order to finalise the design of the wall, negotiations were held with the Crown and the Marine Management Organisation as well as the local authority and will form part of the Southampton Strategic Flood Defence. Construction started in January 2018 and will be completed in September 2018 at a cost of over £2m.

Phases of build

1. 72 plots[1]
2. Sea wall
3. 132 plots + commercial[2]
4. 38 plots + commercial
5. 132 plots
6. 83 plots + commercial

[1] Construction commenced September 2017 completing October 2018.

[2] Construction commenced July 2018.

Top left: CGI of phase three.
Top right: Construction of the sea wall.

Chapel Riverside,
Southampton

GOVERNANCE

Board of Directors

Terry Roydon
Non-executive Chairman

Appointed to the Board
2007

Skills and expertise
Terry has extensive managerial, practical and political experience of the property sector obtained over a 40-year career. He was Chief Executive of Prowting plc, Non-executive Director of Country & Metropolitan plc and Avant plc (formerly Gladedale Holdings plc) as well as president of the Home Builders Federation.

Other current appointments
Consultant and member of the Board of Dom Development S.A., a major quoted Polish residential developer, Non-executive Director of Kimberly Resources NV (until February 2018 when the company delisted from AIM), Larkfleet Holdings Limited and Chairman of Sigma Homes Limited. He was also president of the European Union of Housebuilders and Developers until the expiry of his term of office in May 2018.

Time commitment
1-2 days per month

Stephen Wicks
Chief Executive

Appointed to the Board
2005

Skills and expertise
Stephen 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. He was the founding shareholder and Chief Executive of Country & Metropolitan plc, which floated on the main market of the London Stock Exchange in 1999 with a market capitalisation of £6.9m until its disposal in 2005 to Gladedale Holdings plc for approximately £72m.

Other current appointments
Non-executive Chairman of Energiser Investments plc.

Time commitment
Full-time

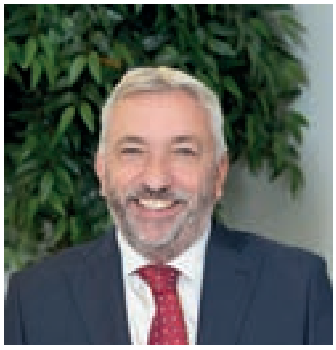
Nishith Malde
Finance Director

Appointed to the Board
2005

Skills and expertise
Nish is a chartered accountant and has over 25 years' experience in the property sector with wide professional knowledge and understanding of both listed and unlisted companies. He was Finance Director and Company Secretary of Country & Metropolitan plc, which floated on the main market of the London Stock Exchange in 1999, until its disposal in 2005 to Gladedale Holdings plc.

Other current appointments
Executive Director of Energiser Investments plc.

Time commitment
Full-time



Gary Skinner
Managing Director

Appointed to the Board
2018

Skills and expertise
Gary brings considerable experience to the Board having worked in the housebuilding sector for over 30 years. He joined the Group in February 2016 and was appointed to the Board in May 2018. Previously, he was Director of operations at Willmott Dixon Housing and production director at George Wimpey (now part of Taylor Wimpey plc).

Time commitment
Full-time

Committee membership
A Audit **R** Remuneration

Simon Bennett
Senior Independent Director[1]

Appointed to the Board
2007

Skills and expertise
Simon is a chartered accountant and has over 30 years of investment banking experience and of providing corporate finance and broking advice to growing companies. He was head of corporate finance and head of the Mid and Small Caps team at Credit Lyonnais Securities as well as head of Corporate Broking at Fairfax IS plc and Sanlam Securities.

Other current appointments
He established Incremental Capital LLP in 2004 to provide corporate finance advice to mid and small cap companies. He is also Chairman of the Grown Up Chocolate Company, a Non-executive Director of the Live Company Group Plc, where he is Head of the Audit Committee and a member of the Remuneration Committee and a Partner at Glenmill Partners, which provides impartial advice to growing companies.

Time commitment
1-2 days per month

Laure Duhot
Non-executive Director

Appointed to the Board
2018

Skills and expertise
Laure brings over 30 years of senior executive level experience in the investment banking and property sectors, specialising in alternative real estate assets. She has held senior roles at Lehman Brothers, Macquarie Capital Partners, Sunrise Senior Living Inc and Grainger plc., and has been Non-executive Director at a number of funds and property companies.

Other current appointments
Managing Director of Duhot-Consult Ltd which provides strategic and transaction support to investors and property firms and Non-executive Director at the Guinness Partnership and at healthcare REIT, MedicX Fund.

Time commitment
1-2 days per month

Brian Johnson
Non-executive Director

Appointed to the Board
2018

Skills and expertise
Brian brings a wealth of sector expertise, having held senior management and Non-executive positions within the housing, social care and commercial sectors. He was Chief Executive at CityWest Homes, Moat Homes Limited and at Metropolitan Housing Trust. In addition, Brian was previously a Non-executive Director at North Essex Partnership NHS Foundation Trust.

Other current appointments
Interim Chief Operating Officer at Abzena PLC.

Time commitment
1-2 days per month

[1] With effect from 13 September 2018.

Corporate Governance statement

Terry Roydon
Chairman

Dear Shareholder

On behalf of the Board I am pleased to present the Corporate Governance statement for the year ended 30 June 2018.

Introduction

Following amendments made to the AIM Rules, which take effect on 28 September 2018, all AIM companies are required to apply a recognised corporate governance code and to make additional website disclosures relating to their compliance with that code.

In compliance with the new requirement, the Company has, since the year end, adopted the Quoted Companies Alliance's ("QCA") Corporate Governance Code (which was revised in April 2018) ("QCA Code") and has updated its website to include the additional disclosures required by the QCA Code and the AIM Rules.

The information set out in this report has been prepared as if the requirement to adopt the QCA Code had been in force during the financial year ended 30 June 2018.

The QCA Code takes key elements of good governance and applies them in a manner which is workable for the different needs of growing companies. In determining the extent and manner of application of the QCA Code, the Board has had regard to the size, risks, complexity and nature of operations of the business.

The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. Recommendations are made within the QCA Code as to which particular disclosures should be made in the annual report and which should be made on the website. These recommendations have been followed in the preparation of this section.

In addition to the specific disclosures, the Code recommends the inclusion of a "Corporate Governance Statement" prepared by the Chairman in the annual report and on the website. The Company's Corporate Governance statement is set out below.

Corporate Governance statement

The Board, under my Chairmanship, is committed to sound corporate governance and to the fundamentals of corporate governance put forward by the QCA. Good corporate governance is about (i) having the right people in the right roles, working together and doing the right things to deliver shareholder value over the long term; (ii) being mindful of the Group's responsibilities to all its stakeholders including the workforce, local communities and business counter-parties; and (iii) seeking to mitigate the environmental impact of the Group's activities. The Board recognises that good communication is essential to good corporate governance and to gaining and maintaining the trust of our shareholders.

As Chairman, I lead discussions on the corporate governance responsibilities of the Board and am the ultimate reporting point for all corporate governance-related issues.

High-level information as to how the QCA Code is applied by the Group and how its application supports the Company's long term success as well as explanations for any areas in which the Group's governance structures and practices differ from the expectations set by the QCA Code are set out later in this report.

In furtherance of the Group's commitment to corporate governance, the Board was strengthened during the year by the appointment of two additional independent non-executive directors, Laure Duhot and Brian Johnson, both of whom bring relevant and valuable experience to the Board as well as balancing out the executive and non-executive contingent. Biographical details for Laure and Brian, summarising the skills that they bring to the Board, are set out on page 51.

Following the appointments of Laure and Brian, the departure of Paul Brett in April of this year and the appointment to the Board of Gary Skinner, the Board comprises three executive directors and four non-executive directors, including the Chairman.

As part of the Board's review of its corporate governance arrangements it has considered the ten principles of the QCA Code and has considered how and to what extent it is appropriate for the Company to adopt practices for the purposes of complying with those principles, having regard to the nature and scale of the Group's operation and the resources available to the Group. The following summary makes appropriate compliance disclosures against each principle.

The ten principles of the QCA Code are as follows:

Establish a strategy and business model which promote long term value for shareholders

The Group's strategy is set out and discussed on page 20 and its business model is summarised on page 16. The business model is focused on maintaining a strong portfolio of properties delivering both short and medium to long term value to shareholders. As in past years, the Board's four strategic goals are (i) to acquire land and add value through planning; (ii) to continue the core activity of plot sales to generate cash to fund our operations; (iii) to maximise value from the land-bank by expanding the house-building and Partnership Housing programmes; and (iv) to maintain borrowings at a manageable level through a strong focus on cash management and vendor financing.

Seek to understand and meet shareholder needs and expectations

Primary responsibility for investor relations rests with the Company's Chief Executive, Stephen Wicks supported by the Finance Director, Nish Malde and the Managing Director, Gary Skinner. In addition to investor presentations and meetings, the Board uses the Company's Annual General Meeting to make a presentation to shareholders on the Group's performance. The Annual General Meeting also provides an opportunity for the shareholders, particularly private shareholders, to question the Board and to share their thoughts on the Group's strategy and business model. Further information is set out on page 56 under the heading "Engaging with our shareholders".

Take into account wider stakeholder and social responsibilities and their implications for long term success

The Board is responsible for directing the Group's wider stakeholder and social responsibilities and sustainability strategy. These activities fall into three broad categories: Society (customers, employees, communities and charities); Environment (brownfield sites, biodiversity and waste) and Construction (planning, supply chain, site management, sustainability and health and safety). Further information is set out on pages 40 to 45 under the heading "Corporate and Social Responsibility".

Embed effective risk management, considering both opportunities and threats, throughout the organisation

The principal risks which the Group faces and the processes which it has put in place to mitigate those risks are listed on pages 24 to 29. These risks are discussed between the Board and senior management as a matter of course and information relating to them is communicated to all relevant executives. An assessment of relevant risks is an integral part of the decision-making process at all levels of the Group.

Maintain the board as a well-functioning, balanced team led by the chairman

The QCA Code requires that the boards of AIM companies have an appropriate balance between executive and non-executive directors and that each board should have at least two independent directors. As mentioned above, during the year the Board has been strengthened with the appointment of Laure Duhot and Brian Johnson as independent Non-executive Directors. The Board considers that the Company's chairman, Terry Roydon, and Simon Bennett, are also independent. A summary of the key responsibilities of the Board is set out on page 54 under the heading "Effective leadership" and details of the governance framework established by the Board to support its operation in line with the principles of the QCA Code, including as to provision of information to members of the Board, is set out on page 55 under the heading "Governance framework".

Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.

All seven members of the Board have significant relevant sector experience and the majority of the Board also have considerable prior experience of listed companies. Biographical information on each member of the Board is provided on pages 50 and 51. The Board believes that its blend of relevant experience, skills and personal qualities and capabilities positions it well to successfully execute its strategy. The training and development activities undertaken by members of the Board are summarised at page 57 below.

Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The effectiveness of the Board is key to the effective implementation and operation of the Group's strategy and business model and the Board seeks to foster a culture of continuous improvement to maximise the effectiveness of board practices. Details of the Board's approach to evaluation are set out on page 57 under the heading "Evaluation". As further described in that section, the Board is in the process of formulating an evaluation framework for directors, including the Chairman and committees of the Board.

Promote a corporate culture that is based on ethical values and behaviours

The Group places great value on its culture and promotes ethical values and behaviours internally and amongst its stakeholders. The culture and ethical values of the Group are best demonstrated through its commitment to corporate responsibility and sustainability initiatives as described on pages 40 to 45 under the heading "Corporate and Social Responsibility".

Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

Our corporate governance structures and processes are summarised and discussed at page 55 below under the heading "Governance framework".

Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

In addition to the activities summarised under the QCA Code principle, "*Seek to understand and meet shareholder needs and expectations*" the Company undertakes the investor relations activities described on page 56 under the heading "Engaging with our shareholders". The Company's Audit Committee report is set out on page 64 and the Remuneration Committee Report is set out on pages 58 to 63.

Corporate Governance statement continued

Effective leadership

Our Board

Led by our Chairman, Terry Roydon, the Board is committed to promoting the long term success of the Group for the benefit of our shareholders and other stakeholders. Our Directors bring a range of skills, perspectives and corporate experience to our Boardroom. The Board is responsible for decisions relating to the Group's strategy, capital structure and financing, any major property acquisition, the risk appetite of the Group and the authorisation of expenditure above the delegated authority limits.

The Board considers the following to be its key responsibilities:

- to set the vision and strategy for the Group;
- to determine and secure the execution of that strategy by putting in place its business model so as to deliver value to shareholders;
- to monitor management activity and performance against targets;
- to provide constructive challenge to ensure management remains focused on strategic objectives;
- to define the Group's corporate governance arrangements; and
- to promote the long term success of the Group for the benefit of all stakeholders.

When making decisions, the Board has regard to the following fundamental considerations:

- the need to act with integrity and to conduct itself and the business in an open and honest manner;
- the interests and well-being of our employees;
- the impact of the decision on local communities, business counter-parties and the environment;
- the wants and needs of current and future customers; and
- the need to develop strong and sustainable relationships with our key contractors and suppliers.

Our Board has established the governance framework illustrated in the chart on page 55 to support its effective operation in line with the principles of the QCA Code and generally to maintain good governance practices throughout the Group.

The Operating Board, which consists of the three Executive Directors and the five senior managers, is responsible for ensuring that policies and behaviours set at Board level are effectively communicated and implemented across the Group's business. Our intranet is also used as a platform for employees to access our policies and be kept fully informed of the latest developments within the Group.

Attendance

The Board meets regularly throughout the year and full attendance is encouraged where possible. The following table sets out the number of meetings held during the year to 30 June 2018 and the attendance at those meetings.

Name of Director	Independent	No. of meetings attended	Attendance
Terry Roydon	Yes	7	100%
Simon Bennett	Yes	7	100%
Laure Duhot	Yes	n/a	n/a
Brian Johnson	Yes	n/a	n/a
Stephen Wicks	No	7	100%
Nish Malde	No	7	100%
Paul Brett	No	5	100%
Gary Skinner	No	1	100%

Culture

From early 2017 the Group has seen a significant growth in its workforce. Throughout this period of rapid growth, the Board has sought to maintain a 'family feel' within the business. We pride ourselves on our open, supportive and caring culture which encourages everyone to work together as one team regardless of where they work in the business. We believe that our culture is a key strength of our business and we see the benefits of our strong culture in the level of employee engagement, retention and productivity across the Group. Our managers take responsibility for monitoring the culture within their own areas and for feeding back any issues, comments or concerns raised by our employees to the Board.

The Group places considerable value on the involvement of its employees and keeps them informed of all relevant matters on a regular basis. In July 2017, to explore the impact of the increasing numbers of staff resulting from the growth of the business, the Board commissioned an external consultant to lead a piece of work with a small group of staff. The external consultant facilitated a one-day workshop for 19 multi-disciplinary staff to explore the past, present and future cultures of the Group with a view to identifying actions to build on the existing culture and for staff to work more closely together as one business. The staff who attended were fully engaged in the workshop and as a result, were able to identify the preferred culture for the Group to work towards and the actions to help it achieve that. Many of those actions have been completed. These include the development of an intranet to improve communication, informal social events to engender a sense of 'one company' and to celebrate success, regular site visits for senior staff and back office staff to understand the business better, standard policies and procedures across all disciplines, the development of a supply chain forum and the establishment of central training provision/administration so that staff have the knowledge and skills needed to do their job.

Within the Corporate and Social Responsibility section, on pages 40 to 45, there are further details on our employees.

Governance framework

We pride ourselves on conducting our business in an open and transparent manner. Our governance framework remains flexible due to our culture and allows for fast decision making and effective oversight.

The Board

The Board is primarily responsible for setting the Group's strategy for delivering long term value to our shareholders and other stakeholders, providing effective challenge to management concerning the execution of the strategy and ensuring the Group maintains an effective risk management and internal control system.

The Board delegates certain matters to its two principal committees:

Audit Committee	Remuneration Committee
Responsible for reviewing, and reporting to the Board on the Group's financial reporting, maintaining an appropriate relationship with the Group's Auditor and monitoring the internal control systems.	Responsible for establishing the Group's Remuneration Policy for Executive Directors and ensuring there is a clear link between our performance and the remuneration we pay.

Operating Board

The Board delegates the execution of the Group's strategy and the day-to-day management of the business to the Operating Board.

Independence

The Board considers that our Non-executive Directors remain independent. All Directors have confirmed (as they are required to do annually) that they have been able to allocate sufficient time to discharge their responsibilities effectively.

The independence of our Non-executive Directors is considered on a regular basis to confirm that they remain independent from executive management and free from any business or other relationship which could materially interfere with the exercise of their judgement.

As stated above, the Board was strengthened during the year by the appointment of two additional independent Non-executive Directors, Laure Duhot and Brian Johnson.

Terry Roydon and Simon Bennett have served the Company as non-executive Directors since its admission to AIM in 2007. The QCA Code acknowledges that the fact that a director has served for more than nine years does not automatically affect independence provided that the Board is satisfied that the director continues to exhibit independence of character and judgment. In the Board's opinion, both Terry and Simon have continued to demonstrate robust commitment to their roles and to exercise their judgement in an effective and independent manner, nor do they have any association with management that might compromise their independence. Accordingly, the Board considers them to be independent Non-executive Directors of the Company. They will also stand for re-election at all Annual General Meetings of the Company.

Our Directors are required to notify the Board of any changes to their external commitments with an indication of the time commitment involved. During the year, Terry Roydon became Chairman of Sigma Homes Limited. Terry notified the Board in advance of his appointment and the Board has confirmed that it does not believe that this change in directorship will affect Terry's ability to fulfil his duties as the Chairman of the Company nor will it give rise to a potential conflict of interest.

Any Director who has concerns about the running of the Group or a proposed course of action is encouraged to express those concerns which are then recorded. No such concerns were raised during the year ended 30 June 2018 (2017: None). During the year, the Chairman held a number of meetings with the Non-executive Directors without executive management being present. These meetings are useful to safeguard the independence of our Non-executive Directors by providing them with time to discuss their views in a more private environment.

We have established an agreed procedure by which Directors can, for the purposes of discharging their duties, obtain independent professional advice at the Company's expense. No Director had reason to use this facility during the year ended 30 June 2018 (2017: None).

The Board has considered whether the Company is of a size where the it is appropriate to designate one of the Non-executive Directors as the "Senior Independent Director" to act as a sounding board and intermediary for the Chairman

Corporate Governance statement continued

or other members of the Board and to provide an alternative route of access to the Board for shareholders and other directors where appropriate. The Board has nominated Simon Bennett as the Senior Independent Director.

Conflict of interests

As a Non-executive Director's independence could be impaired where a Director has a conflict of interest, the Board operates a policy that restricts a Director from voting on any matter in which he or she might have a personal interest unless the Board unanimously decides otherwise. Prior to all major Board decisions, the Chairman requires the Directors to confirm that they do not have a potential personal conflict with the matter being discussed. If a conflict does arise, the Director is excluded from discussions and from voting.

Information sharing

The Board and its Committees are provided with comprehensive papers in a timely manner to ensure that the members are fully briefed on the matters to be discussed at their meetings. The Chairman of the Board and the chairmen of the Committees, being Terry Roydon in the case of the Audit Committee and Simon Bennett in the case of the Remuneration Committee, set the agendas for upcoming meetings in discussion with members of the Board and Committees (as the case may be).

Papers to the Board are required to be clear and concise with any background material included as an appendix to the papers.

Share dealing

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 and the Market Abuse Directive (MAR).

Roles and responsibilities

Our Board is composed of the Chairman, three Executive Directors and three independent Non-executive Directors.

The key responsibilities of each category of directors are set out below:

Key responsibilities of the Chairman

- To lead the Board effectively and to oversee the adoption, delivery and communication of the Company's corporate governance model.
- To ensure that the Board has the right balance of skills, experience and independence.
- To promote teamwork across the Board.
- To engender a Boardroom culture that is rooted in the principles of good governance and enables challenge, debate and transparency.
- To ensure that the Board as a whole plays a full and constructive part in the development of strategy and that there is sufficient time for Boardroom discussion.
- To ensure effective engagement between the Board and its shareholders and other stakeholders.

Key responsibilities of the Chief Executive (CEO)

- To execute the Group's strategy and commercial objectives and to implement the decisions of the Board and its Committees.
- To keep the Chairman and Board appraised of important and strategic issues facing the Group.
- To ensure that the Group's business is conducted with the highest standards of integrity, in keeping with our culture.
- To manage the Group's risk profile, including the maintenance of appropriate health, safety and environmental policies.

Key responsibilities of the Non-executive Directors (NEDs)

- To provide constructive challenge to our executives, to help to develop proposals on strategy and to monitor performance against our KPIs.
- To ensure that no individual or group dominates the Board's decision making.
- To promote the highest standards of integrity and corporate governance throughout the Company, including at Board level.
- To determine appropriate levels of remuneration for the Executive Directors with the benefit of recommendations made by the Remuneration Committee.
- To review the integrity of the Group's financial reporting processes, including ensuring that financial controls and systems of risk management are robust.

The roles of Chairman and Chief Executive are separately held and the respective duties and responsibilities attached to those positions are clearly established.

Engaging with our shareholders

We recognise the importance of clear communication and proactive engagement with our shareholders.

The following is a summary of the different actions taken by the Company to maximise shareholder engagement.

Investor meetings

Following the full year and half year announcements, as well as at various times during the year as requested, the Executive Directors present to a number of institutional and significant private investors to update them on the Group's results and strategy and answer any questions they may have.

Institutional shareholders and fund managers

Our Executive Directors also maintain contact with institutional shareholders and fund managers, through phone calls, presentations and visits to our Group's property assets.

Annual General Meeting

Our 2017 Annual General Meeting (AGM) was held on 28 November 2017 and we were delighted to receive in excess of 91% votes in favour for all of our resolutions. The 2018 AGM is to be held on 27 November 2018 at Decimal Place, Chiltern Avenue, Amersham, Buckinghamshire, HP6 5FG and we encourage our shareholders to attend. The AGM provides an opportunity for private shareholders in particular to raise any queries with the Board.

Annual and half year reports

We communicate with shareholders through our annual report and accounts and interim report, full year and half year announcements and trading updates. Through our electronic communication initiatives, we aim to make our annual report as accessible as possible for our shareholders, who can opt to receive a hard copy in the post or PDF copies via email or from our website.

Corporate website

The Group's corporate website, www.inlandhomesplc.com, has a dedicated investor section which includes our annual reports, results presentations (which are made to analysts and investors after the publication of the interim and full year results) and our financial and dividend calendar for the upcoming year. Additionally, we have a commercial website (www.inlandhomes.co.uk) which contains details of all our current developments.

Debtholder engagement

Our CEO, Stephen Wicks and Group Finance Director, Nish Malde, have meetings and calls with the ZDP shareholders as and when requested.

Key contacts for our shareholders

We have included contact details for our financial PR consultants, Company Secretary and our Registrars on page 116.

Evaluation

In view of the size of the Group and the relatively small Board of the Company, the Company has not historically adopted a formal evaluation process for individual members of the Board and the Committees. Instead, the Chairman has invited feed-back on the performance of members of the Board on an informal but confidential basis from time to time and, if and when necessary, has addressed any points arising directly with the director concerned.

Following its adoption of the QCA Code, the Board intends to adopt a formal evaluation process in the current financial year which will include the completion and return to the Chairman of questionnaires relating to the effectiveness of the Board and a self-assessment by each director of his or her contribution to the Board. The responses to those questionnaires will then form the basis for discussions between each Director and the Chairman and, in the case of the Chairman, a nominated independent non-executive director.

In view of the size of the Group, the Directors do not consider that an external review process with the associated costs is an appropriate or proportionate use of resources at this point in the Group's development.

Training and development

With the dynamic environment in which the Group operates, it is important for our Executive and Non-executive Directors to keep abreast of recent, and upcoming, developments both in the industry and in the regulation of companies whose shares are traded on public markets.

Professional advisers to the Group deliver industry and professional updates to members of the Board; the Finance Director provides regular updates to the Board and its Committees on regulatory and corporate governance matters and the Managing Director provides updates on any significant changes affecting the industry.

During the year the Board also received an AIM rules refresher presentation from the Company's nominated adviser and all Directors have access to the resources provided by the Quoted Companies' Alliance by virtue of the Company's membership of that organisation.

Terry Roydon
Chairman
19 September 2018

Remuneration Committee report (unaudited)

Simon Bennett
Chair of the Remuneration Committee

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 2018 and the remuneration policy for the forthcoming financial year and beyond.

Membership and attendance

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

	Terry Roydon	Simon Bennett
Independent	Yes	Yes
No. of meetings	3	3
Attendance	100%	100%

Role of the Committee

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 Gary Skinner, Managing Director and independent advice from external consultants, where it considers this to be appropriate.

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 considers 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:

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

Once the quantum of the Executive Directors' bonuses has been calculated, these will be settled as 50% in cash and as 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 Director leaves the Company as a "bad leaver", but would not be subject to any 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.

Awards under the unapproved share option scheme are made on a periodic basis to the Company's 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, 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. Participants

Originally, when the 2013 LTIP was established, the Executive Directors participating in the 2013 LTIP and their allocations of Growth Shares were as follows: Stephen Wicks 47%, Nishith Malde 38% and Paul Brett 15% (collectively the "Participants"). Paul Brett, who remains as a consultant to the Group, stepped down from the Board with effect from 16 April 2018 prior to which he exchanged 79 Growth Shares for 896,689 ordinary shares. Consequently, Mr Brett's allocation of any future Growth Shares has lapsed and the aggregate number of ordinary shares now issuable under the 2013 LTIP has been reduced by 1,702,576 ordinary shares to 9,647,928 ordinary shares (previously 11,350,504 ordinary shares).

Remuneration Committee report (unaudited) continued

3. Participants (continued)

Of these, 6,000,000 ordinary shares were available to be issued to the Participants, under the terms of the 2013 LTIP, as the Performance Targets had been met. Of this aggregate number, 896,689 ordinary shares were issued to Paul Brett on 9 April 2018 with 3,311 ordinary shares having lapsed as explained below. As a consequence, at 30 June 2018 there were 9,647,928 ordinary shares available to be issued to the Participants (5,100,000 ordinary shares which have been earned and 4,547,928 available to be earned subject to the performance criteria being met), equivalent to 4.72% of the total issued ordinary share capital at the year end. Following the financial year end, a further 2,814,924 ordinary shares were issued to Stephen Wicks on 19 July 2018 and consequently there are now 6,833,004 ordinary shares available to be issued to the remaining Participants subject, where relevant, to the performance criteria being met. Of this number, 2,285,076 ordinary shares have been earned and 4,547,928 ordinary shares are available to be earned.

Due to an anomaly in the way in which the 2013 LTIP was drafted, fractional entitlement of a Growth Share can't be exchanged for ordinary shares and therefore the actual number of ordinary shares issued to Paul Brett was 896,689 (shown as 900,000 in last year's financial statements) and to Stephen Wicks was 2,814,924 (shown as 2,820,000 in last year's financial statements). It is the present intention of the Remuneration Committee to issue any earned but unallocated ordinary shares created by this anomaly to the existing Participants (which currently total 5,076 ordinary shares) when the 2013 LTIP is closed in accordance with its terms.

Any awards to the Executive Directors under the 2013 LTIP are subject to good and bad leaver provisions and Paul Brett was determined to have been a good leaver and was, as a result, entitled to retain the ordinary shares that he was entitled to in accordance with the rules of the scheme. Gary Skinner, who recently joined the Group Board, will not be entitled to any awards under the 2013 LTIP.

4. 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 was set at a price of 60.5 pence per ordinary share (the "First Target Performance Price"), being 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 as at 30 June 2018 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	1,700,000[1]
1 July 2014	15% compounded	1,700,000[1]
1 July 2015	10% compounded	1,700,000[1]
1 July 2016	10% compounded	1,700,000[1]
1 July 2017	10% compounded	1,700,000[1]
1 July 2018	10% compounded	1,147,928[2]
		9,647,928[3]

1 Previously 2,000,000 ordinary shares.

2 Previously 1,350,504 ordinary shares.

3 The total number of ordinary shares issuable under the 2013 LTIP has now been reduced by 1,702,576 (previously 11,350,504), as one of the original participants has left the Group as explained more fully in Note 3 "Participants".

5. Dilution

The total number of shares in the Company which may become issuable on the exchange of Growth Shares (assuming vesting in full) at the year end is 9,647,928 ordinary shares (previously 11,350,504 ordinary shares) and in aggregate 2,814,924 ordinary shares have been issued to the Participants after the year end, leaving a further 6,833,004 ordinary shares to be issued, equivalent to 3.38% of the current issued ordinary share capital of the Company.

In order for all the 9,647,928 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 when the 2013 LTIP was introduced. This increase is approximately equivalent to a 14% annual compound rise in the ordinary share price.

6. 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.

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 Gary Skinner, 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 to Stephen Wicks or Nishith Malde under the 2013 LTIP.

Non-executive Directors

Inland Homes now has four Non-executive Directors, namely Terry Roydon, the Chairman and Head of the Audit Committee, Simon Bennett, Head of the Remuneration Committee, and Laure Duhot and Brian Johnson, who bring a wealth of commercial property experience and who both joined the Board on 27 June 2018.

The Non-executive Directors have letters of appointment, which initially are for a three-year period and thereafter on either three or 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.

Remuneration Committee report (unaudited) continued

Directors' emoluments for the year ended 30 June 2018

A review of the financial results for the year ended 30 June 2018 as more fully set out in the Chairman's Statement, the Chief Executive's Review and the Finance Director's Review indicate that this financial year has been another good one for Inland Homes, with revenue of £147.4m (2017: £90.7m) up 62.5%, recurring profit before tax of £19.3m (2017: £18.1m) up 6.6%, undiluted EPRA NAV per share of 102.28p (2017: 96.22p) up 6.3% and total dividends of 2.20p for the year (2017: 1.70p) up 29.4%. 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	£81,000
Nishith Malde	£81,000
Gary Skinner	£25,000

In accordance with the rules of the Deferred Bonus Plan, further details of which are set out above, the bonuses for Stephen Wicks and Nishith Malde (and Gary Skinner in future years) will be settled as 50% in cash and as 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 bonus for Gary Skinner, who joined the Board at the end of the Group's financial year in May 2018, has been approved on a discretionary basis by the Remuneration Committee and will be settled in cash. In future years any bonuses awarded to Gary Skinner will be treated in the same way as for the other Executive Directors, namely as being part of the Deferred Bonus Plan as set out above. 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.

The basic salaries of Stephen Wicks and Nishith Malde have remained unchanged for the past five years. In recognition of this, with effect from 1 July 2018 the Remuneration Committee have awarded an increase in their basic annual salaries from £290,000 to £320,000 (excluding national insurance contributions), equivalent to a cost of living rise of approximately 2% per annum over a five-year period.

Directors' remuneration table (audited)

The remuneration of each of the Directors during the year ended 30 June 2018 is set out in detail below:

	2018							2017
	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[1]	348	40	29	–	417	55	472	591
N Malde[1]	348	40	26	–	414	55	469	589
G Skinner (appointed on 9 May 2018)	42	35	2	1	80	11	91	–
P Brett (resigned on 16 April 2018)	156	–	9	16	181	25	206	371
Non-executive Directors								
T Roydon	55	–	–	–	55	–	55	55
S Bennett	45	–	–	–	45	–	45	45
L Duhot	–	–	–	–	–	–	–	–
B Johnson	–	–	–	–	–	–	–	–

[1] 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 on page 66. 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 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 2017	–	1,500,000	400,000
Exercised during the year	–	–	–
Total options outstanding at 30 June 2018	–	1,500,000	400,000

On 18 July 2018 Gary Skinner was granted options over 250,000 ordinary shares at a price of 67.0 p per share.

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 the following 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 are as follows:

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

As explained above, Stephen Wicks was issued 2,814,924 ordinary shares on 19 July 2018 and Paul Brett was issued 896,689 ordinary shares on 9 April 2018. The balance of 3,311 ordinary shares for Paul Brett have lapsed. The balance of 5,076 ordinary shares which have been earned by Stephen Wicks but not yet allocated is intended to be issued to him in the future as described more fully above.

The Performance Target under the 2013 LTIP for the financial year ended 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 84.1 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 financial year ended 30 June 2018, which would earn a further 1,700,000 ordinary shares, is 92.5 pence per ordinary share. The threshold price for the new financial year ending 30 June 2019, which would earn a further 1,147,928 ordinary shares, is 101.8 pence per ordinary share.

There remain a total of 6,833,004 new ordinary shares that can be issued in exchange for vested Growth Shares (2,285,076 ordinary shares) and Growth Shares where the conditions have yet to be met in accordance with the rules of the 2013 LTIP (4,547,928 ordinary shares).

Approval

This report was approved by the Board on 19 September 2018 and signed on its behalf by:

Simon Bennett
Chair of the Remuneration Committee

Audit Committee report

Terry Roydon
Chair of the Audit Committee

I am pleased to present the Audit Committee Report for 2018. This report provides shareholders with an overview of the activities carried out by the Committee during the year. The Committee is responsible for ensuring that the financial performance of the Group is properly measured and reported on. Its role includes monitoring the integrity of the financial statements (including annual and interim accounts and results announcements), reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by external auditors, advising on the appointment of external auditors and meeting with external auditors without management present.

Membership and attendance

The Committee consists of two independent Non-executive Directors: myself (as Chairman) and Simon Bennett. It is expected that either of the two new Non-executive Directors; Laure Duhot and Brian Johnson, will join the Committee during the current financial year. Other members of the Board or management may attend Committee meetings by invitation if required.

	Terry Roydon	Simon Bennett
Independent	Yes	Yes
No. of meetings	3	3
Attendance	100%	100%

Duties

The main duties of the Audit Committee are described in the Corporate Governance framework on page 55. It is intended that these will be kept under continuous review to ensure they remain appropriate and reflect any changes in legislation, regulation or best practice.

The main items of business considered by the Audit Committee during the year included:

- review of the 2018 financial statements and annual report;
- consideration of the external audit report and management representation letter;
- going concern review;
- review of the 2018 audit plan;
- review of suitability of the external Auditor;
- review of the interim results; and
- assessment of the need for an internal audit function.

Internal audit

The Committee 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.

Internal controls

On behalf of the Board we monitor the Group's system of internal controls to ensure they remain robust and are effectively implemented. 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. These controls include those financial and operational controls to manage risk. A discussion of these risks can be found on pages 24 to 29.

Role of the external Auditor

The Audit Committee monitors the relationship with the external Auditor, BDO LLP, to ensure that auditor independence and objectivity are maintained. As part of its review the Committee monitors the provision of non-audit services by the external auditor. The breakdown of fees between audit and non-audit services is provided in note 5 of the Group's financial statements.
BDO LLP no longer provides any tax services to the Group but continues to do so to the Group's joint ventures. The non-audit fees relate to tax compliance for the Group's joint ventures and a review of the interim results. Having reviewed the auditor's independence and performance, the Committee recommends that BDO LLP be reappointed as the Group's Auditor at the next AGM.

External audit process

The external Auditor prepares an audit plan for its review of the full year financial statements. The audit plan sets out the scope of the audit, areas to be targeted and audit timetable. This plan is reviewed and agreed in advance by the Committee. Following the audit, the Auditor presented their findings to the Audit Committee for discussion. No major areas of concern were highlighted by the Auditor during the year, however, areas of significant risk and other matters of audit relevance are regularly communicated.

Whistleblowing

The Group has in place a whistleblowing policy which sets out the formal process by which an employee of the Group may, in confidence, raise concerns about possible improprieties in financial reporting or other matters.

Approval

This report was approved by the Board on 19 September 2018 and signed on its behalf by:

Terry Roydon
Chair of the Audit Committee

Directors' report

Nish Malde
Company Secretary

The Directors present their annual report and the financial statements of the Group and the Company for the year ended 30 June 2018.

This annual report contains certain forward-looking statements. By their nature, any statements about the future outlook involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. Actual results, performance or outcomes may differ materially from any results, performance or outcomes expressed or implied by such forward-looking statements. Each forward-looking statement speaks only as of the date of that particular statement. No representation or warranty is given in relation to any forward-looking statements made by Inland Homes, including as to their completeness or accuracy. Nothing in this report and accounts should be construed as a profit forecast.

Both the Strategic report and the Directors' report have been drawn up and presented in accordance with and in reliance upon applicable English Company law, and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

Results and dividends

The financial statements set out the results of the Group for the financial year ended 30 June 2018 and are shown on pages 75 to 112. The Directors have proposed a final dividend of 1.55p per share (2017: 1.20p) payable on 25 January 2019, subject to shareholders' approval, to shareholders at the close of business on 28 December 2018. A review of the development and performance of the business during the year and the future outlook of the Group is set out in the Chairman's Statement on page 8, the Chief Executive's review on page 10, the Finance Director's review on page 36 and the Portfolio review on page 30. The Group's key performance indicators are monitored closely by the Board and the details of performance against these are on pages 22 and 23.

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 28 to the Group financial statements.

Directors' report continued

Directors and their interests

	As at 30 June 2018			As at 30 June 2017		
	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	**13,987,332**	**470**	**–**	13,737,332	470	–
N Malde	**11,360,029**	**380**	**1,500,000**	11,360,029	380	1,500,000
P Brett (resigned 16/04/2018)	**n/a**	**n/a**	**n/a**	4,204,214	150	400,000
G Skinner (appointed 09/05/2018)	**40,000**	**–**	**–**	n/a	n/a	n/a
T Roydon	**325,000**	**–**	**–**	325,000	–	–
S Bennett	**110,000**	**–**	**–**	110,000	–	–
L Duhot (appointed 27/06/2018)	**–**	**–**	**–**	n/a	n/a	n/a
B Johnson (appointed 27/06/2018)	**–**	**–**	**–**	n/a	n/a	n/a

Each of the Directors listed on pages 50 and 51 held office as at 30 June 2018. Details of the Directors' beneficial interests in shares are shown in the table above.

Further information on the 2013 LTIP can be found in the Remuneration Committee report on pages 58 to 63.

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.

Employee Benefit Trust

On 16 December 2016 the Group's Employee Benefit Trust ("EBT") purchased 600,000 shares of 10p each in Inland Homes plc under the terms of the Deferred Bonus Plan for total consideration of £365,000. This brought the total number of shares owned by the EBT to 1,627,500. No shares were purchased by the EBT during the year ended 30 June 2018.

Substantial shareholding

As at 19 September 2018, 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:

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 as well as a substaintial order book for its Partnership homes and is in discussions for the sale of some 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 the date of signing these financial statements.

At 30 June 2018, the Group had £44.4m of borrowing facilities expiring within one year. Included within this figure was £18.4m relating to the Group's ZDP borrowings, the maturity of which was extended to April 2024 shortly after the year end. The balance of £26.0m relates to loans where we are in advance negotiations with the bank and have received strong indications that the facility will be extended by a further 12 months to expire in December 2019. The Directors therefore consider it appropriate to prepare the financial statements on the going concern basis.

Name	Shareholding	%
M H Dixon	16,000,000	7.81
Henderson Global Investors	10,138,737	4.95
Premchand & Kanchangauri Shah	6,199,222	3.03

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

Details of post balance sheet events are given in note 31 of the financial statements.

Annual General Meeting

The Notice covering the Annual General Meeting ("AGM") together with the proposed resolutions is contained in the document accompanying this report. The AGM will be held on 27 November 2018.

Auditors

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.

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware and that each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and ensure that the Auditor is aware of such information.

The Strategic report and Directors' report have been approved by the Board of Directors and signed on its behalf by:

Nishith Malde
Company Secretary
19 September 2018

Lily's Walk,
High Wycombe

FINANCIAL STATEMENTS

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 2018 which comprise the Group Income Statement, the Group and Company Statement of Financial Position, the Group and Company Statement of Changes in Equity, the Group Statement of Cash Flows and the notes to the financial statements, 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 2018 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 12 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 judgement, 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 (Notes 13 and 17)

Key audit matter	How we addressed the key audit matter

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 and are remeasured to fair value for the purposes of calculating EPRA NAV (see note 11).
 	
Determination of the fair value of investment properties and the carrying amount and fair value 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
	Our audit work in relation to stock included, but was not restricted to, the following:
	
	• We agreed a sample of data used by valuers, both internal and external, 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 fell 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;
	  • for a sample of properties that have been exchanged, reserved or sold post year end we obtained supporting documentation 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 Lily's Walk, Castle 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
	Our audit work included, but was not restricted to, the following:
	
	• 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 accounting standards; 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 and challenged those valuations which fell outside of our expectations.
	• We compared the significant valuation inputs used by the Directors against our own expectations, underlying supporting evidence and, where relevant, market data.
	• We obtained external support used by the Directors in preparing their valuations. We tested the inputs of this support and compared them to the inputs used in the valuations 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 continued

Revenue and profit recognition (Note 4)

Key audit matter	How we addressed the key audit matter
The Group has numerous sources of revenue out of which we consider the sale of land and contract income to pose specific risks. 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. There is a risk that revenue and profits on house sales could be recognised before completion and also through management incorrectly allocating costs on different phases on multi-phase developments. There were a significant number of completions that occurred in June 2018 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. 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 a sample of sales that occurred in June 2018 and checked that completion took place pre year end. For post year end receipts we obtained the completion statement for the associated sale and checked 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. **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. • We discussed the forecast profitability with management. • We 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. • We compared the key assumptions within each development appraisal against the contract terms and agreed details to supporting documentation where relevant. • We compared 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 misstatement on the audit and in forming our opinion. Materiality is assessed on both quantitative and qualitative grounds.

	Group – Financial Statement materiality	Group – Specific materiality
Materiality	£3,000,000	£1,580,000
Performance materiality	£1,800,000	£948,000
Clearly trivial threshold	£60,000	£31,600

Materiality

We consider materiality to be the magnitude by which misstatements, individually or in aggregation, could reasonably be expected to influence the economic decisions of the users of the financial statements.

We determined that Group total assets would be the most appropriate basis for setting overall financial statement materiality, as we consider this to be one of the principal considerations for members of the Company in assessing the financial performance of the Group. As such, the materiality for the Group financial statements as a whole was determined to be £3,000,000, which represents 1% of the Group's total assets.

We also determined that for other classes of transactions, balances or disclosures that impact adjusted earnings (being profit before tax adjusted for investment property valuations), a misstatement of less than materiality for the financial statements as a whole could influence the economic decisions of the users of the financial statements. As a result, we applied a specific materiality of £1,580,000 to these areas which represents 8% of adjusted earnings.

In the prior year we applied a single financial statement materiality based on 7% of profit before tax. The prior year financial statement materiality was £1,080,000.

We determined that a measure of financial statement materiality alone for the Parent Company was appropriate, given that its principal activity is that of an investment company. The materiality applied was £1,160,000 which represents 2% of the Company's total assets.

Whilst materiality for the financial statements as a whole was £3,000,000, each component of the Group was audited to a lower level of materiality. Component materiality ranged from £1,000 to £2,180,000.

Performance materiality

The application of materiality at the individual account or balance level is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessment together with the Group's overall control environment our judgement was that overall performance materiality for the Group should be 60% of overall materiality. As such, performance financial statement materiality was set at £1,800,000 and specific performance materiality was set at £948,000.

We determined that the same measure as the Group was appropriate for the Parent Company, and the performance materiality applied was £696,000.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £60,000 for all items audited to financial statement materiality, and £31,600 for items audited to specific materiality. We also agreed to report on any other differences that, in our view, warranted reporting on qualitative grounds.

The reporting threshold applied for the Parent Company was set at £23,000.

We evaluate any uncorrected misstatements against both the qualitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

An overview of the scope of our audit

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. BDO LLP audited all significant components. All components are based in the UK.

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.

Independent Auditor's report
to the members of Inland Homes plc continued

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 its environment 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, 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 67, 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

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.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Thomas Edward Goodworth (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
19 September 2018
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 2018

Continuing operations	Note	2018 £m	2017 £m
Revenue	4	**147.4**	90.7
Cost of sales	4	**(115.6)**	(71.2)
Gross profit		**31.8**	19.5
Administrative expenses	5	**(9.4)**	(7.7)
Gain on sale of subsidiary	15	**0.1**	6.0
Gain on sale of joint venture	15	**–**	7.0
Share of loss of associates	15	**–**	(0.2)
Share of profit of joint ventures	15	**1.0**	–
Revaluation of investment properties	13	**–**	1.5
Operating profit		**23.5**	26.1
Finance cost - interest expense	8	**(5.1)**	(7.0)
Finance income - interest receivable and similar income	9	**0.9**	0.5
Profit before tax		**19.3**	19.6
Tax charge	10	**(3.9)**	(3.8)
Total profit and comprehensive income for the year		**15.4**	15.8
Earnings per share for profit attributable to the equity holders of the Company during the year			
– basic	11	**7.64p**	7.82p
– diluted	11	**7.30p**	7.46p

The accompanying notes form part of these financial statements.

Statements of financial position

at 30 June 2018

Company number 5482990

	Note	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
ASSETS					
Non-current assets					
Investment properties	13	**52.8**	53.6	**–**	–
Property, plant and equipment	14	**1.3**	0.7	**–**	–
Investments		**0.2**	–	**–**	–
Investment in subsidiaries	15	**–**	–	**12.5**	12.5
Investment in joint ventures	15	**0.4**	0.2	**–**	–
Amounts due from joint ventures	15	**1.0**	–	**–**	–
Investment in associate	15	**1.1**	1.1	**–**	–
Amounts due from associate	15	**3.0**	5.8	**–**	–
Other receivables	18	**11.0**	5.7	**–**	–
Deferred tax	16	**–**	–	**0.7**	0.6
Total non-current assets		**70.8**	67.1	**13.2**	13.1
Current assets					
Inventories	17	**136.2**	139.9	**–**	–
Trade and other receivables	18	**30.4**	22.4	**37.1**	51.1
Corporation tax		**–**	–	**0.5**	0.5
Amounts due from associate	15	**2.8**	–	**–**	–
Amounts due from joint ventures	15	**19.0**	18.3	**–**	–
Cash and cash equivalents	19	**40.4**	26.5	**18.3**	0.1
Total current assets		**228.8**	207.1	**55.9**	51.7
Total assets		**299.6**	274.2	**69.1**	64.8
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	20	**20.5**	20.4	**20.5**	20.4
Share premium account	21	**34.8**	34.3	**34.8**	34.3
Employee benefit trust	21	**(1.1)**	(1.1)	**(1.1)**	(1.1)
Treasury reserve	21	**(0.5)**	–	**(0.5)**	–
Special reserve	21	**6.1**	6.1	**6.1**	6.1
Retained earnings[1]	21	**82.6**	70.9	**8.2**	4.4
Total equity attributable to shareholders of the Company		**142.4**	130.6	**68.0**	64.1
LIABILITIES					
Current liabilities					
Bank loans and overdrafts	23	**26.0**	–	**–**	–
Zero Dividend Preference shares	23	**18.4**	–	**–**	–
Trade and other payables	22	**24.9**	20.5	**1.1**	0.7
Corporation tax		**6.6**	6.5	**–**	–
Other financial liabilities	25	**3.7**	20.1	**–**	–
Total current liabilities		**79.6**	47.1	**1.1**	0.7
Non-current liabilities					
Zero Dividend Preference shares	23	**–**	17.3	**–**	–
Bank loans	23	**41.4**	63.2	**–**	–
Other loans	23	**34.3**	14.0	**–**	–
Deferred tax	16	**1.9**	2.0	**–**	–
Total non-current liabilities		**77.6**	96.5	**–**	–
Total equity and liabilities		**299.6**	274.2	**69.1**	64.8

[1] Retained earnings for the Company includes a profit for the year of £7.5m (2017: £2.9m).

The financial statements were approved and authorised for issue by the Board of Directors on 19 September 2018.

Stephen Wicks
Director

Nishith Malde
Director

The accompaning notes form part of these financial statements.

Statements of changes in equity

for the year ended 30 June 2018

Group	Note	Share capital £m	Share premium £m	Employee Benefit Trust £m	Special reserve £m	Treasury reserve £m	Retained earnings £m	Total £m
At 30 June 2016		20.3	34.0	(0.7)	6.1	–	56.6	116.3
Total comprehensive income for the year		–	–	–	–	–	15.8	15.8
Transactions with owners:								
Share-based payments	7	–	–	–	–	–	1.3	1.3
Dividend payment	12	–	–	–	–	–	(2.8)	(2.8)
Issue of ordinary shares	20	0.1	0.3	–	–	–	–	0.4
Purchase of own shares for deferred bonus plan	20	–	–	(0.4)	–	–	–	(0.4)
At 30 June 2017		20.4	34.3	(1.1)	6.1	–	70.9	130.6
Total comprehensive income for the year		–	–	–	–	–	15.4	15.4
Transactions with owners:								
Share-based payments	7	–	–	–	–	–	0.6	0.6
Dividend payment	12	–	–	–	–	–	(3.7)	(3.7)
Issue of ordinary shares	20	0.1	0.5	–	–	–	(0.6)	–
Purchase of own shares	20	–	–	–	–	(0.6)	–	(0.6)
Exercise of share options	20	–	–	–	–	0.1	–	0.1
At 30 June 2018		**20.5**	**34.8**	**(1.1)**	**6.1**	**(0.5)**	**82.6**	**142.4**

Company	Note	Share capital £m	Share premium £m	Employee Benefit Trust £m	Special reserve £m	Treasury reserve £m	Retained earnings £m	Total £m
At 30 June 2016		20.3	34.0	(0.7)	6.1	–	3.8	63.5
Total comprehensive income for the year		–	–	–	–	–	2.9	2.9
Transactions with owners:								
Share-based payments	7	–	–	–	–	–	0.5	0.5
Dividend payment	12	–	–	–	–	–	(2.8)	(2.8)
Issue of ordinary shares	20	0.1	0.3	–	–	–	–	0.4
Purchase of own shares for deferred bonus plan	20	–	–	(0.4)	–	–	–	(0.4)
At 30 June 2017		20.4	34.3	(1.1)	6.1	–	4.4	64.1
Total comprehensive income for the year		–	–	–	–	–	7.5	7.5
Transactions with owners:								
Share-based payments	7	–	–	–	–	–	0.6	0.6
Dividend payment	12	–	–	–	–	–	(3.7)	(3.7)
Issue of ordinary shares	20	0.1	0.5	–	–	–	(0.6)	–
Purchase of own shares	20	–	–	–	–	(0.6)	–	(0.6)
Exercise of share options	20	–	–	–	–	0.1	–	0.1
At 30 June 2018		**20.5**	**34.8**	**(1.1)**	**6.1**	**(0.5)**	**8.2**	**68.0**

The accompanying notes form part of these financial statements.

Group statement of cash flows

for the year ended 30 June 2018

	Note	**2018 £m**	2017 £m
Cash flow from operating activities			
Profit for the year before tax		**19.3**	19.6
Adjustments for:			
– depreciation	14	**0.3**	0.3
– share-based payments		**0.8**	1.3
– revaluation of investment properties		**–**	(1.5)
– gain on disposal of subsidiary		**(0.1)**	(6.0)
– gain on disposal of joint venture		**–**	(7.0)
– interest expense		**5.1**	7.0
– interest and similar income		**(0.9)**	(0.5)
– share of profit of joint ventures		**(1.0)**	–
– share of loss of associate		**–**	0.2
Corporation tax payments		**(4.0)**	(3.6)
Change in working capital:			
– decrease in inventories		**(3.2)**	(6.9)
– (increase)/decrease in trade and other receivables		**(17.8)**	6.1
– decrease in trade and other payables		**(12.8)**	(7.4)
Net cash (outflow)/inflow from operating activities		**(14.3)**	1.6
Cash flow from investing activities			
Interest received		**0.8**	0.3
Purchases of property, plant and equipment	14	**(0.9)**	(0.5)
Purchases of investment property	13	**(0.2)**	(0.4)
Purchase of investment		**(0.2)**	–
Proceeds from sale of subsidiary		**13.4**	5.8
Loans provided to joint ventures		**(7.6)**	(10.8)
Amounts repaid by joint ventures		**5.9**	–
Distribution of profits from joint venture		**0.8**	–
Loans provided to associate		**–**	(2.5)
Amounts repaid by associate		**–**	1.1
Investment in associate		**–**	(0.1)
Net cash inflow/(outflow) from investing activities		**12.0**	(7.1)
Cash flow from financing activities			
Interest paid		**(3.8)**	(4.5)
Repayment of borrowings		**(6.3)**	(48.7)
New loans		**30.6**	71.3
Net proceeds on issue of ordinary shares		**–**	0.4
Equity dividends paid to ordinary shareholders	12	**(3.7)**	(2.8)
Purchase of own shares		**(0.6)**	(0.4)
Net cash inflow from financing activities		**16.2**	15.3
Net increase in cash and cash equivalents		**13.9**	9.8
Net cash and cash equivalents at beginning of year		**26.5**	16.7
Net cash and cash equivalents at end of year	19	**40.4**	26.5

The accompanying notes form part of these financial statements.

Notes to the financial statements

for the year ended 30 June 2018

1. 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 Parent Company financial statements have been prepared in accordance with FRS 101, Financial Reporting Standards Reduced Disclosure Framework.

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.

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.

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 as well as a substantial order book for its Partnership homes and is in discussions for the sale of some 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 the date of signing these financial statements. At 30 June 2018, the Group had £44.4m of borrowing facilities expiring within one year. Included within this figure was £18.4m relating to the Group's ZDP borrowings, the maturity of which was extended to April 2024 shortly after the year end. The balance of £26m relates to loans where we are in advance negotiations with the bank and have received strong indications that the facility will be extended by a further 12 months to expire in December 2019. The Directors therefore consider it appropriate to prepare the financial statements on the going concern basis.

2. CHANGES IN ACCOUNTING POLICIES

The principal accounting policies are described in note 32 and are consistent with those applied in the Group's financial statements for the year ended 30 June 2017, as amended to reflect the adoption of new standards, amendments and interpretations which became effective in the year as shown below.

New standards adopted during the year

The following standards, amendments and interpretations endorsed by the EU were effective for the first time for the Group's 30 June 2018 year end and had no material impact on the financial statements. The adoption of IAS 7 (amended) has resulted in an additional note for the reconciliation of net debt and is note 25 in the financial statements.

IAS 7 (amended) - Statement of Cash Flows;
IAS 12 (amended) - Income Taxes; and
IFRS 12 - Disclosure of Interests in Other Entities.

Notes to the financial statements

for the year ended 30 June 2018 continued

2. CHANGES IN ACCOUNTING POLICIES continued

Standards in issue but not yet effective

The following new standards, amendments and interpretations to existing standards were in issue at the date of approval of these financial statements but are not yet effective for the current accounting year and have not been adopted early. Based on the Group's current circumstances the Directors do not anticipate that their adoption in future periods will have a material impact on the financial statements of the Group.

IAS 40 (amended) - Transfers of Investment Property
IFRS 2 (amended) - Share Based Payments;
IFRS 4 (amended) - Insurance Contracts;
IFRS 17 - Insurance Contracts;
IFRIC 22 - Foreign Currency Transactions and Advance Consideration;
IFRIC 23 - Uncertainty over Income Tax Treatments;
Annual improvements to IFRSs (2014 - 2016 cycle);
Amendments to IAS 28: Long-term interests in Associates and Joint Ventures[1];
Annual Improvements to IFRSs (2015-2017 Cycle)[1];
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement[1]; and
Amendments to References to the Conceptual Framework in IFRS Standards[1].

[1] Standards and amendments not yet endorsed by the EU.

In addition to the above, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been endorsed by the EU and will be effective for the first time for the Group's year ending 30 June 2019. IFRS 16 Leases has also been endorsed and will be effective for the Group's year ending 30 June 2020.

IFRS 9 Financial Instruments

This standard applies to classification and measurement of financial assets and financial liabilities, impairment provisioning and hedge accounting. Management's assessment of IFRS 9 determined that the main area of potential impact was impairment provisioning on trade receivables for the Group and balances due from subsidiaries for the Company. In both cases, this was due to the requirement to use a forward-looking expected credit loss model. The Group does not presently hold any complex financial instruments. Given that inter group balances are eliminated on consolidation and does not affect group results, no material impairment allowance adjustments are expected. Having substantially completed our assessment, it is considered that the introduction of IFRS 9 is not expected to have a material impact on the results or cash flows of either the Group or the Company. Presentation changes are expected given the additional disclosure requirements under IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 combines a number of previous standards, setting out a five-step model for the recognition of revenue and establishing principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue. The standard is applicable to land sales, house sales, contract income, management fees and hotel income but excludes rental income, which is within the scope of IFRS 16.

The Group has substantially completed its assessment of the impact of IFRS 15 on its financial statements and has identified no material adjustments to date that will be required as a result of the implementation of IFRS 15. Currently the Group recognises revenue at the fair value of the consideration received and receivable in respect of the sale of housing and land on legal completion. This standard is not expected to effect the statement of cashflows nor does the Group expect the implementation of this standard to have a material impact on profit.

IFRS 15 introduces a substantial change to presentations and disclosures. IFRS 15 requires separate presentation of contract assets and contract liabilities. This will result in some reclassifications as of 1 July 2017 in relation to advance payments and deferred revenue which are currently included in other balance sheet line items. Other presentation changes are limited to additional disclosure requirements under IFRS 15 only.

IFRS 16 Leases

This standard does not substantially affect the accounting for rental income earned by the Group as lessor. The main impact of the standard is the removal of the distinction between operating and finance leases for lessees, which will result in almost all leases being recognised on the balance sheet. This will therefore have a presentational impact on the financial statements when the Group enters into a new office lease next year, details of which are yet to be finalised. Please refer to note 27 (commitments and leases) for the financial impact of the operating leases both as lessor and lessee.

3. SIGNIFICANT JUDGEMENTS, KEY ASSUMPTIONS AND ESTIMATES

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The Group's significant accounting policies are stated in note 32. Not all of these accounting policies require management to make difficult, subjective or complex judgements or estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. The following is intended to provide an understanding of the policies that management consider critical because of the level of complexity, judgement or estimation involved in their application and their impact on the financial statements.

Key sources of estimation uncertainty

Valuation of inventories (note 17)

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. The critical judgement in respect of receipt of planning consent (see below) further increases the level of estimation uncertainty in this area.

Income taxes (notes 10 and 16)

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.

Fair value of investment properties (note 13)

The fair value of materially completed investment properties 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.

Discounting on deferred consideration of inventories, disposal of joint ventures and acquisition of shares (notes 8, 15 and 17)

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.

Significant judgements

Timing of likely repayment - Amounts due from joint ventures and associate (note 15)

Each of the amounts due from the joint ventures are contractually repayable on demand and the amounts due from the associate are repayable over the term of the underlying development. At each balance sheet date the Directors review the forecasts of the underlying developments and make a judgement as to the likely timing of the recoverability of each loan which are then disclosed as either due in less than one year or greater than one year accordingly.

Likelihood of achieving planning - Inventories (note 17)

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.

Notes to the financial statements

for the year ended 30 June 2018 continued

3. SIGNIFICANT JUDGEMENTS, KEY ASSUMPTIONS AND ESTIMATES continued

Capitalisation of borrowing costs (note 17)

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 line with the requirements of IAS 23 Borrowing Costs. In the opinion of the Directors, sites are judged to be qualifying assets if 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 such sites to be capitalised in the current and prior years. For non-qualifying 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.

Investment in joint ventures (note 15)

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), Europa Park LLP 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 four 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 15)

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. SEGMENTAL 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 (which in the Group's case is the Operating Board comprising the three Executive Directors and four senior managers) and represent the activities which generate significant revenues, profits and use of resources within the Group. These operating segments are monitored and strategic decisions are made on the basis of segment operating results.

Segmental analysis by activity

2018	Land sales £m	House building £m	Contract income £m	Rental income £m	Investment properties £m	Management fees £m	Other £m	Total £m
Revenue	59.3	70.2	12.0	0.7	1.3	2.4	1.5	147.4
Cost of sales	(41.0)	(62.5)	(10.2)	(0.1)	(0.3)	–	(1.5)	(115.6)
Gross profit	**18.3**	**7.7**	**1.8**	**0.6**	**1.0**	**2.4**	**–**	**31.8**
Administrative expenses	–	–	–	–	–	–	(9.4)	(9.4)
Gain on sale of subsidiary	–	–	–	–	0.1	–	–	0.1
Share of profit of joint ventures	–	0.8	–	0.2	–	–	–	1.0
Operating profit/(loss)	**18.3**	**8.5**	**1.8**	**0.8**	**1.1**	**2.4**	**(9.4)**	**23.5**
Net finance cost	(1.6)	(0.9)	–	–	(1.2)	–	(0.5)	(4.2)
Profit/(loss) before tax	**16.7**	**7.6**	**1.8**	**0.8**	**(0.1)**	**2.4**	**(9.9)**	**19.3**
Tax (charge)/credit	(3.1)	(0.5)	(0.1)	–	(0.1)	(0.2)	0.1	(3.9)
Total profit/(loss) for the year	**13.6**	**7.1**	**1.7**	**0.8**	**(0.2)**	**2.2**	**(9.8)**	**15.4**

2017	Land sales £m	House building £m	Contract income £m	Rental income £m	Investment properties £m	Management fees £m	Other £m	Total £m
Revenue	22.4	57.7	3.1	1.3	1.1	2.5	2.6	90.7
Cost of sales	(16.2)	(49.0)	(3.4)	(0.1)	(0.2)	–	(2.3)	(71.2)
Gross profit/(loss)	6.2	8.7	(0.3)	1.2	0.9	2.5	0.3	19.5
Administrative expenses	–	–	–	–	–	–	(7.7)	(7.7)
Gain on sale of subsidiary	6.0	–	–	–	–	–	–	6.0
Gain on sale of joint venture	7.0	–	–	–	–	–	–	7.0
Share of loss of associate	–	(0.2)	–	–	–	–	–	(0.2)
Revaluation of investment properties	–	–	–	–	1.5	–	–	1.5
Operating profit/(loss)	19.2	8.5	(0.3)	1.2	2.4	2.5	(7.4)	26.1
Net finance cost	(3.5)	(0.8)	–	–	(0.9)	–	(1.3)	(6.5)
Profit/(loss) before tax	15.7	7.7	(0.3)	1.2	1.5	2.5	(8.7)	19.6
Tax (charge)/credit	(3.0)	(1.5)	0.1	(0.2)	(1.3)	–	2.1	(3.8)
Total profit/(loss) for the year	12.7	6.2	(0.2)	1.0	0.2	2.5	(6.6)	15.8

Included with the "Land sales" segment are land sales to Housing Associations which include construction works to "Golden Brick". The construction works to completion are included in the "Contract 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. During the year, one land sale transaction (2017: None) with a customer accounted for more than 10% of revenue and amounted to £29.7m.

Notes to the financial statements

for the year ended 30 June 2018 continued

4. SEGMENTAL INFORMATION continued

2018	Land[1] £m	House building £m	Contract income £m	Investment properties £m	Other £m	Total £m
ASSETS						
Non-current assets						
Investment properties	–	–	–	52.8	–	52.8
Property, plant and equipment	–	–	–	–	1.3	1.3
Investments	–	–	–	–	0.2	0.2
Investment in joint ventures	–	0.4	–	–	–	0.4
Amounts due from joint ventures	–	1.0	–	–	–	1.0
Investment in associate	–	1.1	–	–	–	1.1
Amounts due from associate	–	3.0	–	–	–	3.0
Other receivables	11.0	–	–	–	–	11.0
Total non-current assets	11.0	5.5	–	52.8	1.5	70.8
Current assets						
Inventories	85.0	51.2	–	–	–	136.2
Trade and other receivables	13.9	6.3	8.2	1.3	0.7	30.4
Amounts due from associate	–	2.8	–	–	–	2.8
Amounts due from joint ventures	–	19.0	–	–	–	19.0
Cash and cash equivalents	–	–	–	–	40.4	40.4
Total current assets	**98.9**	**79.3**	**8.2**	**1.3**	**41.1**	**228.8**
Total assets	**109.9**	**84.8**	**8.2**	**54.1**	**42.6**	**299.6**
EQUITY						
Capital and reserves attributable to the Company's equity holders						
Share capital	–	–	–	–	20.5	20.5
Share premium account	–	–	–	–	34.8	34.8
Employee Benefit Trust	–	–	–	–	(1.1)	(1.1)
Treasury reserve	–	–	–	–	(0.5)	(0.5)
Special reserve	–	–	–	–	6.1	6.1
Retained earnings	–	–	–	–	82.6	82.6
Total equity	**–**	**–**	**–**	**–**	**142.4**	**142.4**
LIABILITIES						
Current liabilities						
Bank loans and overdrafts	26.0	–	–	–	–	26.0
Zero Dividend Preference shares	–	–	–	–	18.4	18.4
Trade and other payables	3.1	11.3	2.9	0.4	7.2	24.9
Corporation tax	–	–	–	–	6.6	6.6
Other financial liabilities	3.7	–	–	–	–	3.7
Total current liabilities	**32.8**	**11.3**	**2.9**	**0.4**	**32.2**	**79.6**
Non-current liabilities						
Bank loans	1.1	13.8	–	26.5	–	41.4
Other loans	17.2	17.1	–	–	–	34.3
Deferred tax	–	–	–	1.9	–	1.9
Total non-current liabilities	**18.3**	**30.9**	**–**	**28.4**	**–**	**77.6**
Total equity and liabilities	**51.1**	**42.2**	**2.9**	**28.8**	**174.6**	**299.6**

2017	Land[1] £m	House building £m	Contract income £m	Investment properties £m	Other £m	Total £m
ASSETS						
Non-current assets						
Investment properties	–	–	–	53.6	–	53.6
Property, plant and equipment	–	–	–	–	0.7	0.7
Investment in joint ventures	–	0.2	–	–	–	0.2
Investment in associate	–	1.1	–	–	–	1.1
Amounts due from associate	–	5.8	–	–	–	5.8
Other receivables	5.7	–	–	–	–	5.7
Total non-current assets	**5.7**	**7.1**	**–**	**53.6**	**0.7**	**67.1**
Current assets						
Inventories	85.1	51.9	2.9	–	–	139.9
Trade and other receivables	18.9	1.3	1.5	–	0.7	22.4
Amounts due from joint ventures	–	18.3	–	–	–	18.3
Amounts due from associate	–	–	–	–	–	–
Cash and cash equivalents	–	–	–	–	26.5	26.5
Total current assets	**104.0**	**71.5**	**4.4**	**–**	**27.2**	**207.1**
Total assets	**109.7**	**78.6**	**4.4**	**53.6**	**27.9**	**274.2**
EQUITY						
Capital and reserves attributable to the Company's equity holders						
Share capital	–	–	–	–	20.4	20.4
Share premium account	–	–	–	–	34.3	34.3
Employee Benefit Trust	–	–	–	–	(1.1)	(1.1)
Special reserve	–	–	–	–	6.1	6.1
Retained earnings	–	–	–	–	70.9	70.9
Total equity attributable to shareholders of the Company	**–**	**–**	**–**	**–**	**130.6**	**130.6**
LIABILITIES						
Current liabilities						
Trade and other payables	7.9	7.5	1.5	0.3	3.3	20.5
Corporation tax	–	–	–	–	6.5	6.5
Other financial liabilities	20.1	–	–	–	–	20.1
Total current liabilities	**28.0**	**7.5**	**1.5**	**0.3**	**9.8**	**47.1**
Non-current liabilities						
Zero Dividend Preference shares	–	–	–	–	17.3	17.3
Bank loans	17.0	19.9	–	26.3	–	63.2
Other loans	14.0	–	–	–	–	14.0
Deferred tax	(0.1)	(0.6)	–	3.3	(0.6)	2.0
Total non-current liabilities	**30.9**	**19.3**	**–**	**29.6**	**16.7**	**96.5**
Total equity and liabilities	**58.9**	**26.8**	**1.5**	**29.9**	**157.1**	**274.2**

[1] Included within land inventories above is £6.8m (2017: £5.7m) relating to a hotel.

All assets and revenues arose solely in the United Kingdom.

Notes to the financial statements

for the year ended 30 June 2018 continued

5. EXPENSES BY NATURE

	2018 £000	2017 £000
Depreciation	**274**	242
Operating lease rentals	**140**	124
Fees paid to BDO LLP in respect of:		
– audit of the company and consolidated accounts		
– current year	**75**	74
– prior year	**40**	–
Other services:		
– audit of subsidiaries and associates	**50**	45
– audit-related assurance services	**18**	16
– taxation compliance and advisory services[1]	**–**	100

[1] BDO ceased to be the Group's tax advisors during the current year.

6. EMPLOYEE COSTS

The employee costs (including Directors) during the year were as follows:

	2018 £m	2017 £m
Wages and salaries	**8.1**	5.7
Social security costs	**0.9**	0.6
Pension costs - defined contribution plans	**0.2**	0.1
Share-based payments	**0.5**	0.5
	9.7	6.9
Amount capitalised to inventories	**(3.0)**	(1.4)
	6.7	5.5

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

	2018	2017
Management	**8**	8
Administration	**85**	51
	93	59

Please see the table in the Remuneration Committee report on pages 58 to 63 for details of the employee costs of the Directors, including details of the highest paid Director.

Employee costs in respect of key personnel (excluding Directors) were as follows:

	2018 £m	2017 £m
Wages and salaries	**1.0**	0.8
Bonuses	**0.2**	0.2
Social security costs	**0.2**	0.1
Pension	**0.1**	–
	1.5	1.1

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

	As at 30 June 2018		As at 30 June 2017	
	Number of Growth Shares	Number of share options	Number of Growth Shares	Number of share options
Key personnel and Directors	**1,000**	**2,070,000**	1,000	2,495,000

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

7. SHARE-BASED PAYMENTS

Group - equity-settled option scheme

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 is still employed by the Company at the time of the options being exercised or are "good" leavers and the options are exercised within six months of leaving employment. This unapproved share option scheme is separate to the long term incentive plan (LTIP) for the Executive Directors, further details of which can be found in the Remuneration Committee report on pages 58 to 63.

Year of grant	Exercise price p	Date from which exercisable	Expiry date	Outstanding at 1 July	Exercised	Lapsed	Outstanding at 30 June	Exercisable
For the year ended 30 June 2018								
2009	16.50	17/12/2012	16/12/2019	580,000	–	–	580,000	580,000
2010	18.25	22/11/2013	21/11/2020	1,500,000	–	–	1,500,000	1,500,000
2012	17.50	25/06/2015	24/06/2022	245,000	(75,000)	–	170,000	170,000
2013	32.50	18/06/2016	17/06/2023	490,000	(100,000)	–	390,000	390,000
2015	70.25	22/06/2018	21/06/2025	365,000	–	(25,000)	340,000	340,000
				3,180,000	**(175,000)**	**(25,000)**	**2,980,000**	**2,980,000**
For the year ended 30 June 2017								
2007	50.00	28/03/2010	27/03/2017	710,000	(710,000)	–	–	–
2009	16.50	17/12/2012	16/12/2019	605,000	(25,000)	–	580,000	580,000
2010	18.25	22/11/2013	21/11/2020	1,500,000	–	–	1,500,000	1,500,000
2012	17.50	25/06/2015	24/06/2022	305,000	(60,000)	–	245,000	245,000
2013	32.50	18/06/2016	17/06/2023	550,000	(60,000)	–	490,000	490,000
2015	70.25	22/06/2018	21/06/2025	410,000	–	(45,000)	365,000	–
				4,080,000	**(855,000)**	**(45,000)**	**3,180,000**	**2,815,000**

	30 June 2018	30 June 2017	1 July 2016
Weighted average exercise price of share options:			
Exercisable	**25.66p**	20.30p	16.74p
Non-exercisable	**n/a**	70.25p	70.25p
Total	**25.66p**	27.60p	20.57p
Weighted average remaining contracted life of share options:			
Exercisable	**3.17 years**	3.79 years	4.05 years
Non-exercisable	**n/a**	7.98 years	8.98 years
Total	**3.17 years**	4.27 years	4.55 years

The weighted average exercise price of share options exercised and lapsed was 26.07p (2017: 45.51p) and 70.25p (2017: 70.25p) respectively. The weighted average share price at which share options were exercised during the year was 64.00p (2017: 58.67p).

Volatility was calculated with reference to historical share price information using the closing prices on the first business day of each month over the period since the shares have been listed. No share options or Growth Shares were issued in the current year or prior year.

The share-based payment charged to the Income Statement for the year ended 30 June 2018 is £0.5m (2017: £0.5m) with a corresponding deferred tax asset at that date of £0.1m (2017: £0.1m), and £0.5m (2017: £0.5m) of this charge relates to the Directors.

At 30 June 2018, there were 9,647,928 (2017: 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 Committee report on pages 58 to 63.

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 Committee report on pages 58 to 63.

Notes to the financial statements

for the year ended 30 June 2018 continued

8. FINANCE COST

	2018 £m	2017 £m
Interest expense:		
– bank loans	**3.1**	3.1
– Zero Dividend Preference shares	**1.1**	1.1
– other loans	**1.3**	1.7
– notional interest on deferred consideration	**–**	1.4
– amortisation of loan arrangement fees and other finance related costs	**0.7**	0.8
Gross finance costs	**6.2**	8.1
Finance costs capitalised	**(1.1)**	(1.1)
	5.1	7.0

Finance costs of £1.1m (2017: £1.1m) have been capitalised on inventories in accordance with IAS 23 Borrowing Costs (see note 17), using the Group's cost of borrowing for that loan specific to the development in question.

9. FINANCE INCOME

	2018 £m	2017 £m
Other interest receivable	**0.1**	0.1
Interest from loans to joint ventures and associate	**0.8**	0.4
	0.9	0.5

10. TAX CHARGE

	2018 £m	2017 £m
Current tax charge	**4.0**	2.7
Deferred tax (credit)/charge	**(0.1)**	1.1
Total	**3.9**	3.8

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:

	2018 £m	2017 £m
Profit before tax	**19.3**	19.6
Expected tax charge based on the standard rate of corporation tax in the UK of 19.0% (2017: 19.0%)	**3.7**	3.7
Expenses not deductible for tax purposes	**0.1**	–
ZDP interest not deductible for tax purposes	**0.2**	0.2
Capital losses	**(0.1)**	–
Adjustments to tax charge in respect of previous periods	**–**	0.1
Timing differences	**–**	(0.2)
Release deferred tax asset on disposal of joint venture	**–**	0.1
Deferred tax liability on investment properties	**–**	1.3
Tax losses utilised	**–**	(1.4)
Tax charge	**3.9**	3.8

11. EARNINGS AND NET ASSET VALUE PER SHARE

Number of shares

	Earnings per share Weighted average		Net asset value per share At 30 June	
	2018 '000	2017 '000	**2018 '000**	2017 '000
Shares in issue			**204,551**	203,654
Less shares held in:				
– EBT[1]			**(1,627)**	(1,627)
– Treasury[2]			**(825)**	-
For use in basic measures	**201,621**	201,875	**202,099**	202,027
Dilutive effect of:				
– share options	**1,844**	1,882	**1,837**	1,912
– deferred bonus shares	**1,763**	1,627	**1,823**	1,627
– growth shares[3]	**5,790**	6,000	**5,100**	6,000
For use in diluted measures	**211,018**	211,384	**210,859**	211,566

[1] The Group's Employee Benefit Trust (EBT) purchased 650,000 shares on 29 October 2014, 377,500 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 total 1,627,500 shares and have been deducted from the weighted average number of ordinary shares in issue and also from the shares in issue at the year end.

[2] In several transactions in October and November 2017, the Group purchased 1,000,000 of its own shares to be held in treasury. On 18 January 2018, 175,000 shares were transferred from the treasury reserve to satisfy employee share options exercised within the terms of the Company's share option scheme.

[3] Amounts included for the growth shares are those where the performance conditions have been satisfied. On 6 April 2018, Paul Brett transferred 79 vested LTIP shares to the Company in exchange for the issue of 896,689 shares in the Company as referred to in the Remuneration Committee report on pages 58 to 63.

Basic and diluted earnings per share

	2018	**2017**
Profit attributable to equity shareholders (£m)	**15.4**	15.8
Earnings per share	**7.64p**	7.82p
Diluted earnings per share	**7.30p**	7.46p

Net asset value and net asset value per share

	£m	Undiluted p	Diluted p
At 30 June 2018			
Net assets attributable to equity shareholders	142.4	70.46	67.53
Adjustment for:			
Revaluation of projects	61.0		
Deferred tax on investment property revaluation	3.3		
EPRA net asset value	**206.7**	**102.28**	**98.03**
Adjustment for:			
Deferred tax on investment property revaluation	(3.3)		
Deferred tax on project revaluation	(11.6)		
EPRA triple net asset value	**191.8**	**94.91**	**90.97**
At 30 June 2017			
Net assets attributable to equity shareholders	130.6	64.62	61.72
Adjustment for:			
Revaluation of projects	60.5		
Deferred tax on investment property revaluation	3.3		
EPRA net asset value	194.4	96.22	91.88
Adjustment for:			
Deferred tax on investment property revaluation	(3.3)		
Deferred tax on project revaluation	(11.5)		
EPRA triple net asset value	179.6	88.90	84.89

Notes to the financial statements

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12. DIVIDENDS

	Payment date	Dividend per share p	**2018 £m**	2017 £m
Current year				
2018 final dividend	25 January 2019	1.55	**–**	–
2018 interim dividend	29 June 2018	0.65	**1.3**	–
Distribution of current year profit		2.20	**1.3**	–
Prior year				
2017 final dividend	26 January 2018	1.20	**2.4**	–
2017 interim dividend	23 June 2017	0.50	**–**	1.0
Distribution of prior year profit		1.70	**2.4**	1.0
2016 final dividend	27 January 2017	0.90	**–**	1.8
Dividends as reported in the Group statement of changes in equity			**3.7**	2.8

Dividends are not paid on the shares owned by the Employee Benefit Trust. During the year dividends of £11.0m were received by the Company from its subsidiaries (2017: £5.0m).

13. INVESTMENT PROPERTIES

	Commercial properties £m	**Residential properties £m**	**Development land £m**	**Total £m**
Fair value				
At 30 June 2016	1.0	45.4	5.3	51.7
Additions	0.3	0.1	–	0.4
Fair value adjustment	–	1.5	–	1.5
At 30 June 2017	1.3	47.0	5.3	53.6
Additions	–	0.5	–	0.5
Transfer from inventories	1.2	–	–	1.2
Disposals	(2.5)	–	–	(2.5)
At 30 June 2018	**–**	**47.5**	**5.3**	**52.8**

Valuation techniques
- Commercial properties

At 30 June 2017, the Group's commercial property consisted of a property at Leighton Buzzard which was carried at fair value established by the Directors using a rental yield of 5.5%. The annual rent used in this calculation was the subject of a lease with the Co-op. Costs to complete were deducted from the fair value along with a suitable developer's margin. The property was disposed of during the year to 30 June 2018.

- Residential properties

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 transaction in consultation with a local property agent.

- Development land

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 £5.3m (2017: £5.3m). The Directors are of the opinion that developing the site reflects the highest and best use of this asset.

These techniques use significant unobservable inputs such that the fair value measurement of investment properties has been classified as Level 3 in the fair value hierarchy as set out by IFRS 13 Fair Value Measurement. There were no transfers between Levels 1 and 2 or between 2 and 3 in the fair value heirarchy during the year ended 30 June 2018 (2017: None).

Sensitivity analysis

	Variable	Variation	Increase/(decrease) 2018 £m	2017 £m
Commercial properties	House prices	+5%	**n/a**	0.1
		-5%	**n/a**	(0.1)
Residential properties	Rental values	+5%	**2.4**	2.4
		-5%	**(2.4)**	(2.4)
Development land	House prices	+5%	**1.6**	1.6
		-5%	**(1.3)**	(1.3)
	Development costs	+5%	**(1.1)**	(1.1)
		-5%	**0.9**	0.9

Income and expense

During the year ended 30 June 2018 £1.3m (2017: £1.1m) rental and ancilliary 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 £0.3m (2017: £0.2m). The Group did not incur any direct operating expenses arising from investment properties that did not generate rental income (2017: £nil).

Restrictions and obligations

At 30 June 2018 there were no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal (2017: None). There are no obligations (2017: None) to construct or develop the Group's residential or development land investment property.

At 30 June 2018, the historical cost of the Group's investment properties was £14.7m (2017: £15.4m). Certain of the investment properties are secured against the Group's borrowings. For details see note 23.

14. PROPERTY, PLANT AND EQUIPMENT

Group	Modular housing £m	Motor vehicles £m	Office equipment £m	Fixtures and fittings £m	Total £m
Cost					
At 30 June 2016	–	0.3	0.4	0.3	1.0
Additions	–	0.1	0.1	0.3	0.5
At 30 June 2017	–	0.4	0.5	0.6	1.5
Additions	0.8	–	0.1	–	0.9
At 30 June 2018	**0.8**	**0.4**	**0.6**	**0.6**	**2.4**
Depreciation					
At 30 June 2016	–	0.1	0.2	0.2	0.5
Depreciation charge	–	0.1	0.1	0.1	0.3
At 30 June 2017	–	0.2	0.3	0.3	0.8
Depreciation charge	–	0.1	0.1	0.1	0.3
At 30 June 2018	**–**	**0.3**	**0.4**	**0.4**	**1.1**
Net book value					
At 30 June 2016	–	0.2	0.2	0.1	0.5
At 30 June 2017	–	0.2	0.2	0.3	0.7
At 30 June 2018	**0.8**	**0.1**	**0.2**	**0.2**	**1.3**

Notes to the financial statements

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15. INVESTMENTS IN GROUP UNDERTAKINGS

At 30 June 2018, the Company, directly or indirectly, held equity of the following:

Company name	Principal activity	Holding and voting rights [1]
Subsidiary undertakings		
Basildon United Football, Sports & Leisure Limited	Sports club	100%
Brooklands Helix Developments Limited	Real estate development	100%
Bucks Developments Limited	Real estate development	100%
Chapel Riverside Developments Limited	Real estate development	100%
Drayton Developments Limited	Real estate development	100%
Drayton Garden Village Limited	Real estate development	100%
Exeter Road (Bournemouth) Limited	Real estate development	100%
High Wycombe Developments Limited	Real estate development	100%
High Wycombe Developments No. 2 Limited	Real estate development	100%
Hugg Homes Limited	Letting or operating of real estate	100%
Hugg Housing Limited	Letting or operating of real estate	100%
Inland Limited	Real estate development	100%
Inland (Southern) Limited	Real estate development	100%
Inland (STB) Limited	Provision of finance	100%
Inland Finance Limited	Real estate development	100%
Inland Helix Limited	Real estate development	100%
Inland Homes (Essex) Limited	Real estate development	100%
Inland Homes 2013 Limited	Holding company	100%
Inland Homes Developments Limited	Real estate development	100%
Inland Housing Limited	Real estate development	100%
Inland Partnerships Limited	Construction	100%
Inland Property Finance Limited	Provision of finance	100%
Inland Property Limited	Real estate investment	100%
Inland ZDP plc	Provision of finance	100%
Leighton Developments Limited	Real estate development	100%
Poole Investments Limited	Real estate investment	100%
Rosewood Housing Limited	Real estate development	100%
Wessex Hotel Developments Limited	Real estate development	100%
Wilton Park Developments Limited	Real estate development	100%
Interests in joint ventures		
10 Ant South Limited	Real estate investment	50%
Bucknalls Developments Limited	Real estate development	50%
Cheshunt Lakeside Developments Limited	Real estate development	50%
Europa Park LLP	Real estate development	50%
Gardiners Park LLP	Real estate development	50%
Project Helix Holdco Limited	Holding company	20%
Interests in associates		
Troy Homes Limited	Real estate development	25%

[1] All holdings are of ordinary shares

Inland Homes 2013 Limited is the only direct subsidiary of the Company. All others are indirect holdings. All of the above entities are incorporated and domiciled in England and Wales. In addition, all entities are registered at Decimal Place, Chiltern Avenue, Amersham, Buckinghamshire, HP6 5FG, with the exception of:

- Europa Park LLP and Gardiners Park LLP which are registered at Springfield Lodge, Colchester Road, Chelmsford, Essex, CM2 5PW
- Troy Homes Limited which is registered at 10-14 Accommodation Road, London, NW11 8ED

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.

Disposal of subsidiaries

During the year to 30 June 2018, the Group disposed of two of its subsidiaries Uxbridge; Homes Developments Limited and Inland Commercial Limited. There was a gain of £0.1m on the sale of these companies. During the year to 30 June 2017, 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 was recognised in the Group Income Statement.

Group

	Investment in joint ventures								
	Aston Clinton S.A.R.L. £m	Project Helix £m	Bucknalls Develop-ments £m	Cheshunt Lakeside Develop-ments £m	Europa Park £m	Gardiners Park £m	Total £m	Investment in associates £m	Total £m
Cost									
At 30 June 2016	1.0	–	–	0.2	–	–	1.2	0.1	1.3
Additions	0.3	–	–	–	–	–	0.3	1.2	1.5
Transfer of loans to joint ventures	(0.2)	–	–	–	–	–	(0.2)	–	(0.2)
Disposal of interest in joint venture	(1.1)	–	–	–	–	–	(1.1)	–	(1.1)
Share of loss after tax	–	–	–	–	–	–	–	(0.2)	(0.2)
Movement during the year	(1.0)	–	–	–	–	–	(1.0)	1.0	–
At 30 June 2017	–	–	–	0.2	–	–	0.2	1.1	1.3
Share of profit after tax	–	–	–	0.2	–	0.8	1.0	–	1.0
Receipts from joint ventures	–	–	–	–	–	(0.8)	(0.8)	–	(0.8)
Movement during the year	–	–	–	0.2	–	–	0.2	–	0.2
At 30 June 2018	**–**	**–**	**–**	**0.4**	**–**	**–**	**0.4**	**1.1**	**1.5**

Amounts due from associate

	2018 £m	2017 £m
Due in less than one year		
Other receivables[1]	**2.8**	–
Due in more than one year		
Loans	**3.0**	3.0
Other receivables[1]	**–**	2.8
	3.0	5.8
	5.8	5.8

[1] Other receivables relates to amounts due from the sale of two sites during the year ended 30 June 2016.

The above loans are repayable in October 2020 and other receivables over the period of the underlying development. Interest is charged on the loan amounts but not on other receivables.

Amounts due from joint ventures

	2018 £m	2017 £m
Due in less than one year		
Project Helix	**–**	4.9
Bucknalls Developments Limited	**5.6**	4.4
Cheshunt Lakeside Developments Limited	**13.4**	8.1
Gardiners Park LLP	**–**	0.9
	19.0	18.3
Due in more than one year		
Europa Park LLP	**1.0**	–
	20.0	18.3

No interest is charged on any of the amounts due from joint ventures.

Notes to the financial statements

for the year ended 30 June 2018 continued

15. INVESTMENTS IN GROUP UNDERTAKINGS 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 was to acquire a site near Aylesbury, Buckinghamshire, and obtain planning permission. During the year ended 30 June 2017, following the achievement of planning consent for 400 residential units and commercial space, the Group sold its interest in Aston Clinton S.A.R.L. for £8.3m, generating a gain of £7.0m which was recognised in the Group Income Statement. Aston Clinton S.A.R.L. is based in Luxembourg.

Summarised statement of total comprehensive income	2018 £m	2017 £m
Revenue	–	–
Interest charge	–	(0.3)
Total comprehensive expense	–	(0.3)

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. During the year, Project Helix Holdco Limited's interests in its subsidiary undertakings, High Wycombe Developments Ltd, High Wycombe Developments No. 2 Ltd and Brooklands Helix Developments Ltd were purchased by the Group. Project Helix Group will be liquidated shortly.

Summarised statement of financial position	2018 £m	2017 £m
Current assets		
Cash and cash equivalents	–	–
Other current assets	–	24.3
Total current assets	–	24.3
Current liabilities		
Financial liabilities (excluding trade payables and provisions)	–	0.6
Other current liabilities	–	24.0
Total current liabilities	–	24.6
Net liabilities	–	(0.3)
Reporting entity's share	–	(0.1)
Investment cost	–	0.1
Carrying amount at year end	–	–

Summarised statement of total comprehensive income	2018 £m	2017 £m
Revenue	–	0.2
Operating expenses	–	(0.1)
Total comprehensive income	–	0.1

15. INVESTMENTS IN GROUP UNDERTAKINGS continued

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 agreement, the Group is obliged to fund 50% of the costs of the site and is entitled to receive a management fee and 50% of the returns.

Summarised statement of financial position	2018 £m	2017 £m
Current assets		
Cash and cash equivalents	**0.1**	–
Other current assets	**9.5**	8.4
Total current assets	**9.6**	8.4
Current liabilities		
Financial liabilities (excluding trade payables and provisions)	**9.9**	8.3
Other current liabilities	**0.3**	0.1
Total current liabilities	**10.2**	8.4
Net liabilities	**(0.6)**	–
Reporting entity's share	**(0.3)**	–
Losses restricted to nil	**0.3**	–
Carrying amount at year end	**–**	–

Summarised statement of total comprehensive income	2018 £m	2017 £m
Interest	**(0.3)**	–
Total comprehensive expense	**(0.3)**	–

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

In June 2016, the Group entered into a joint venture whose purpose was 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.

Summarised statement of financial position	2018 £m	2017 £m
Current assets		
Cash and cash equivalents	**0.3**	0.2
Other current assets	**57.5**	39.4
Total current assets	**57.8**	39.6
Current liabilities		
Financial liabilities (excluding trade payables and provisions)	**56.6**	22.7
Other current liabilities	**0.6**	16.7
Total current liabilities	**57.2**	39.4
Net assets	**0.6**	0.2
Reporting entity's share	**0.3**	0.1
Investment cost	**0.1**	0.1
Carrying amount at year end	**0.4**	0.2

Summarised statement of total comprehensive income	2018 £m	2017 £m
Revenue	**0.7**	0.2
Operating expenses	**(0.3)**	–
Total comprehensive income	**0.4**	0.2

Notes to the financial statements

for the year ended 30 June 2018 continued

15. INVESTMENTS IN GROUP UNDERTAKINGS continued

Europa Park LLP

In December 2017, the Group entered into a joint venture which acquired a site in Ipswich, Suffolk from the Group which has planning permission for 94 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.

Summarised statement of financial position	2018 £m	2017 £m
Current assets		
Cash and cash equivalents	**0.1**	–
Other current assets	**2.7**	–
Total current assets	**2.8**	–
Current liabilities		
Financial liabilities (excluding trade payables and provisions)	**1.9**	–
Other current liabilities	**0.9**	–
Total current liabilities	**2.8**	–
Net assets	**–**	–
Reporting entity's share	**–**	–
Investment cost	**–**	–
Carrying amount at year end	**–**	–

Summarised statement of total comprehensive income	2018 £m	2017 £m
Total comprehensive income	**–**	–

Gardiners Park LLP

In November 2016, the Group entered into a joint venture with Constable Homes Limited 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.

Summarised statement of financial position	2018 £m	2017 £m
Current assets		
Cash and cash equivalents	**0.4**	0.3
Other current assets	**0.9**	5.9
Total current assets	**1.3**	6.2
Current liabilities		
Financial liabilities (excluding trade payables and provisions)	**–**	3.4
Partners' loans	**–**	1.8
Other current liabilities	**1.3**	1.1
Total current liabilities	**1.3**	6.3
Net liabilities	**–**	(0.1)
Reporting entity's share	**–**	–
Investment cost	**–**	–
Carrying amount at year end	**–**	–

Summarised statement of total comprehensive income	2018 £m	2017 £m
Revenue	**11.0**	0.9
Operating expenses	**(9.3)**	(0.9)
Interest	**(0.1)**	(0.1)
Total comprehensive income	**1.6**	(0.1)

15. INVESTMENTS IN GROUP UNDERTAKINGS continued

INTERESTS IN ASSOCIATE

Troy Homes Limited

In October 2015 the Group acquired 25% of Troy Homes Limited (Troy), a new premium housebuilder, and is entitled to 25% of the net returns.

Summarised statement of financial position	2018 £m	2017 £m
Non-current assets		
Tangible assets	**0.1**	0.1
Total non-current assets	**0.1**	0.1
Current assets		
Cash and cash equivalents	**3.1**	0.6
Other current assets	**29.3**	26.1
Total current assets	**32.4**	26.7
Total assets	**32.5**	26.8
Current liabilities		
Financial liabilities (excluding trade payables and provisions)	**14.1**	10.4
Other current liabilities	**5.5**	3.4
Total current liabilities	**19.6**	13.8
Non-current liabilities		
Financial liabilities (excluding trade payables and provisions)	**9.2**	9.5
Total non-current liabilities	**9.2**	9.5
Total liabilities	**28.8**	23.3
Net assets	**3.7**	3.5
Reporting entity's share	**0.9**	0.9
Investment cost	**0.2**	0.2
Carrying amount at year end	**1.1**	1.1

Summarised statement of total comprehensive income	2018 £m	2017 £m
Revenue	**14.2**	1.0
Operating expenses	**(12.9)**	(1.9)
Interest	**(1.4)**	(0.8)
Income tax	**0.3**	0.3
Total comprehensive income/(expense)	**0.2**	(1.4)

Company

	2018 £m	2017 £m
Cost	**12.5**	12.5
Net book value	**12.5**	12.5

Notes to the financial statements

for the year ended 30 June 2018 continued

16. DEFERRED TAX

Group	Revaluation gain £m	Capital losses recognised on revaluation gain £m	Notional interest on deferred consideration £m	Share-based payments £m	Total £m
At 1 July 2017	6.5	(3.2)	(0.7)	(0.6)	2.0
(Credited)/charged to income statement	(0.5)	0.5	–	(0.1)	(0.1)
At 30 June 2018	**6.0**	**(2.7)**	**(0.7)**	**(0.7)**	**1.9**

Company					
At 30 June 2017	–	–	–	(0.6)	(0.6)
Credited to income statement	–	–	–	(0.1)	(0.1)
At 30 June 2018	**–**	**–**	**–**	**(0.7)**	**(0.7)**

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.

17. INVENTORIES

	2018 £m	2017 £m
At 1 July	**139.9**	148.4
Additions	**107.8**	58.0
Capitalisation of finance costs	**1.1**	1.1
Capitalisation of employee costs	**3.0**	1.4
Charged to income statement	**(113.7)**	(68.6)
Transferred to investment property	**(1.2)**	–
Impairment	**(0.7)**	(0.4)
At 30 June	**136.2**	139.9

Certain of the inventories are secured against the Group's borrowings. For details see note 23.

Included within inventories is £0.9m in relation to construction contracts and to 30 June 2018 £15.5m has been billed in relation to these contracts.

18. TRADE AND OTHER RECEIVABLES

	Group 2018 £m	2017 £m	Company 2018 £m	2017 £m
Trade receivables	**16.1**	3.4	**–**	–
Prepayments and accrued income	**0.4**	1.3	**–**	0.1
Other receivables	**13.9**	17.7	**0.2**	1.0
Amounts owed by Group undertakings	**–**	–	**36.9**	50.0
Trade and other receivables due in less than one year	**30.4**	22.4	**37.1**	51.1
Other receivables due in more than one year	**11.0**	5.7	**–**	–
	41.4	28.1	**37.1**	51.1

The carrying value of trade and other receivables is considered a reasonable approximation of fair value. During the year an amount of £0.5m (2017: £nil) was written off in relation to a contractor which went into administration in 2016 (for more details see note 22). No other trade receivables are considered to be impaired and there were no unimpaired trade receivables past due at the reporting date.

Other receivables	Group 2018 £m	2017 £m
Due in less than one year		
Sale of subsidiary	**1.3**	10.7
Sale of interest in joint venture	**5.0**	5.0
Construction contract bond	**5.0**	–
Other	**2.6**	2.0
	13.9	17.7
Due in more than one year		
Sale of subsidiary	**4.7**	–
Sale of interest in joint venture	**5.7**	5.7
Other	**0.6**	–
	11.0	5.7

Within other receivables is £0.5m (2017: £0.4m) relating to retentions receivable from construction contracting clients and within trade receivables is £2.9m (2017: £1.0m) relating to income accrued on a construction contract.

19. CASH AND CASH EQUIVALENTS

	Group 2018 £m	2017 £m	Company 2018 £m	2017 £m
Cash at bank and at hand	**40.4**	26.5	**18.3**	0.1

Notes to the financial statements

for the year ended 30 June 2018 continued

20. SHARE CAPITAL

Group and Company

The movement in the number of shares in issue is shown in the table below.

	Authorised, issued and fully paid			
	10p ordinary shares		10p deferred shares	
	Number	£m	Number	£m
At 30 June 2016	202,799,432	20.3	9,980	–
Issued on exercise of share options	855,000	0.1	–	–
At 30 June 2017	203,654,432	20.4	9,980	–
Issued on exercise of LTIP	896,689	0.1	–	–
At 30 June 2018	**204,551,121**	**20.5**	**9,980**	**–**
Employee Benefit Trust				
At 30 June 2016	1,027,500	(0.7)		
Purchase of own shares for deferred bonus plan	600,000	(0.4)		
At 30 June 2017 and 30 June 2018	**1,627,500**	**(1.1)**		
Treasury reserve				
At 30 June 2016 and 30 June 2017	–	–		
Purchase of own shares	1,000,000	(0.6)		
Exercise of share options	(175,000)	0.1		
At 30 June 2018	**825,000**	**(0.5)**		
Total voting shares[1]				
At 30 June 2016	201,771,932			
At 30 June 2017	202,026,932			
At 30 June 2018	**202,098,621**			

[1] Ordinary shares in issue less shares held in the Employee Benefit Trust and the Treasury reserve

Ordinary shares

Except for the shares held in the Employee Benefit Trust and the Treasury reserve (see note 21), 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.

21. RESERVES

The following describes the nature and purpose of each reserve within shareholders' equity

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value less directly attributable issue costs.
Employee Benefit Trust	This represents the purchase of the Company's own shares and are deducted from total equity until they are issued to employees under the Deferred Bonus Plan. At 30 June 2018, this reserve holds 1,627,500 shares (2017: 1,627,500 shares).
Special reserve	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.
Treasury reserve	This represents the purchase of the Company's own shares and are deducted from total equity until they are issued to employees under the share option plan. At 30 June 2018, this reserve holds 825,000 shares (2017: None).
Retained earnings	Cumulative net gains and losses recognised in the Group income statement together with other items such as dividends and share-based payments.

22. TRADE AND OTHER PAYABLES

	Group 2018 £m	2017 £m	Company 2018 £m	2017 £m
Trade payables	**8.5**	7.2	**–**	–
Other creditors	**3.1**	6.3	**0.4**	0.1
Sales and social security taxes	**6.4**	1.8	**0.5**	0.4
Accruals	**6.9**	5.2	**0.2**	0.2
	24.9	20.5	**1.1**	0.7

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

Within trade payables is £0.7m relating to amounts payable in relation to construction contracts.

The contingencies note of last year's financial statements included disclosure relating to a claim and counter-claim with respect to one of the Group's contractors which went into Administration during the year ended 30 June 2016. Included within other creditors of £3.1m at 30 June 2018 is a provision for £275,000 for the final agreed settlement with the Administrators in relation to these claims.

Notes to the financial statements

for the year ended 30 June 2018 continued

23. BORROWINGS

	< 1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	> 5 years £m	Total £m
At 30 June 2018							
Secured bank loans	26.0	13.8	–	27.6	–	–	67.4
Other secured loans	–	17.2	10.5	–	–	6.6	34.3
Borrowings	26.0	31.0	10.5	27.6	–	6.6	101.7
ZDP shares	18.4	–	–	–	–	–	18.4
Gross debt	**44.4**	**31.0**	**10.5**	**27.6**	**–**	**6.6**	**120.1**
Cash and cash equivalents							(40.4)
Net debt							**79.7**
At 30 June 2017							
Secured bank loans	–	16.0	19.9	–	27.3	–	63.2
Other secured loans	–	–	14.0	–	–	–	14.0
Borrowings	–	16.0	33.9	–	27.3	–	77.2
ZDP shares	–	17.3	–	–	–	–	17.3
Gross debt	–	33.3	33.9	–	27.3	–	94.5
Cash and cash equivalents							(26.5)
Net debt							68.0
Undrawn committed bank facilities							
At 30 June 2018	**–**	**13.9**	**13.3**	**–**	**–**	**4.9**	**32.1**
At 30 June 2017	–	–	11.2	–	–	–	11.2

At 30 June 2018, the bank loans were secured over £47.1m (2017: £53.6m) of investment property and £16.6m (2017: £18.5m) of inventories. The other loans were secured over £5.3m (2017: £nil) of investment property and £50.9m (2017: £40.0m) of inventories. The ZDP shares were secured against inventories of £4.1m (2017: £4.1m) and loans to joint ventures of £18.9m (2017: £12.5m). No property, plant or equipment are pledged as security.

Zero Dividend Preference (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. At 30 June 2018, there were 12,444,200 ZDP shares in issue (2017: 11,313,200). An explanation of the fair value of the ZDP shares is included in note 26. The maturity of the ZDP shares was extended in August 2018 and will now be repaid on or before 10 April 2024. In addition, a further 1,000,000 ZDP shares were issued. More details on the continuation and extension are included in note 31.

23. BORROWINGS continued

IFRS 7 Financial liabilities: Disclosure, requires disclosure of the maturity of the Group's remaining contractual financial liabilities. The table below shows the contractual undiscounted cash outflows arising from the Group's gross debt which is split between fixed rate and variable rate borrowings.

	< 1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	> 5 years £m	Total £m
At 30 June 2018							
Variable rate borrowings	26.0	13.8	10.5	27.6	–	6.6	84.5
Fixed rate borrowings	18.4	17.2	–	–	–	–	35.6
Gross debt	44.4	31.0	10.5	27.6	–	6.6	120.1
Interest on gross debt	6.2	2.2	1.9	0.4	0.3	0.3	11.3
Gross loan commitments	**50.6**	**33.2**	**12.4**	**28.0**	**0.3**	**6.9**	**131.4**
At 30 June 2017							
Variable rate borrowings	–	16.0	19.9	–	27.3	–	63.2
Fixed rate borrowings	–	17.3	14.0	–	–	–	31.3
Gross debt	–	33.3	33.9	–	27.3	–	94.5
Interest on gross debt	3.6	5.3	2.5	1.2	0.1	–	12.7
Gross loan commitments	3.6	38.6	36.4	1.2	27.4	–	107.2

24. CASH FLOW INFORMATION

			Non-cash movements		
Net debt reconciliation	2017 £m	Cash flows £m	Amortisation of loan arrangement fees £m	Movement in accrued liability £m	**2018 £m**
Secured bank loans	63.2	4.0	0.2	–	**67.4**
Other secured loans	14.0	20.3	–	–	**34.3**
Borrowings	77.2	24.3	0.2	–	**101.7**
ZDP shares	17.3	–	–	1.1	**18.4**
Gross debt	94.5	24.3	0.2	1.1	**120.1**
Cash and cash equivalents	(26.5)	(13.9)	–	–	**(40.4)**
Net debt	68.0	10.4	0.2	1.1	**79.7**
Net assets					
IFRS	130.6				**142.4**
EPRA	194.4				**206.7**
Net gearing					
IFRS	52.1%				**56.0%**
EPRA	35.0%				**38.6%**

25. OTHER FINANCIAL LIABILITIES

Other financial liabilities of £3.7m (2017: £20.1m) relates to purchase consideration on inventories falling due within one year.

Notes to the financial statements

for the year ended 30 June 2018 continued

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 note 15. 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:

	2018 £m	2017 £m
Classes of financial assets - carrying amounts		
Cash and cash equivalents	**40.4**	26.5
Amounts due from joint ventures in less than one year	**19.0**	18.3
Amounts due from joint ventures in more than one year	**1.0**	–
Amounts due from associate in more than one year	**3.0**	5.8
Amounts due from associate in less than one year	**2.8**	–
Receivables due in more than one year	**11.0**	5.7
Trade and other receivables	**30.0**	21.1
	107.2	77.4

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 18.

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% change in interest rate on the Group's financial instruments that are affected by market risk. These financial instruments consist solely of borrowings.

	2018 £m	2017 £m
Total impact on pre-tax profit and equity of 0.5% increase in interest rates - loss	**(0.3)**	(0.2)
Total impact on pre-tax profit and equity of 0.5% decrease in interest rates - gain	**0.3**	0.2

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 and liabilities

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

	2018 £m	2017 £m
Loans and receivables		
Other assets - non-current[1]	**15.2**	11.5
Other assets - current[2]	**51.8**	39.4
Cash and cash equivalents	**40.4**	26.5
	107.4	77.4
Financial liabilities		
Financial liabilities measured at amortised cost:		
- borrowings	**101.7**	77.2
- Zero Dividend Preference shares	**18.4**	17.3
- other liabilities - current[3]	**22.2**	38.8
	142.3	133.3

[1] Other assets - non-current includes investments, amounts due from associate and joint ventures shown in note 15 and amounts shown as trade and other receivables in note 18 due in more than one year.

[2] Other assets - current includes amounts due from associate and joint ventures shown in note 15 and all amounts shown as trade and other receivables due in less than one year in note 18 except prepayments of £0.4m (2017: £1.3m).

[3] Other liabilities - current includes purchase consideration of £3.7m (2017: £20.1m) shown in note 25 and all amounts shown as trade and other payables in note 22 except sales and social security taxes of £6.4m (2017: £1.8m). All amounts are non-interest bearing and are due within one year.

Borrowings consist of loans which attract interest at varying rates and there is a variety of fixed and variable rates (see table in note 23). The ZDP shares are carried at their accrued value of 147.59p per share (2017: 137.55p) however their closing price on the main market of the London Stock Exchange on 30 June 2018 was 151.70p (2017: 143.75p). The ZDP shares attract an interest rate of between 4.64% and 7.30%.

27. COMMITMENTS AND 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 are as follows:

	2018 £m	2017 £m
Due in less than one year	**0.7**	1.0
Due later than one year and not later than five years	**0.1**	0.6
Due later than five years	**–**	1.3
	0.8	2.9

At 30 June 2017, the Group had two leasing arrangements which it considered significant. At Drayton Garden Village in West Drayton, Middlesex, the Group had a rental contract with a third party for a shop dated 31 October 2016. This contract had a non-cancellable term of 15 years with an annual rent of £64,000. At RAF Stanbridge in Leighton Buzzard, Bedfordshire, the Group had a rental contract with a third party for a shop, dated 5 August 2016. This contract had a non-cancellable term of 15 years with an annual rent of £69,750. Both of these properites were sold during the year. There were no significant leasing arrangements at 30 June 2018.

Notes to the financial statements

for the year ended 30 June 2018 continued

27. COMMITMENTS AND LEASES continued

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 are as follows:

	2018 £m	2017 £m
Due in less than one year	**0.1**	0.1
Due later than one year and not later than five years	**0.1**	0.2
	0.2	0.3

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.

Joint ventures and associate

Bucknalls Developments Limited - the Group is committed to contributing 50% of all costs not funded by external borrowings and no further costs are expected.

Cheshunt Lakeside Developments Limited - the Group is committed to contributing 50% of all costs. The Group expects to fund a further £1.2m (2017: £0.8m) before receipt of a planning permission.

Europa Way LLP - the Group is committed to contributing 50% of all costs not funded by external borrowings and no further costs are expected.

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 Limited - there is £0.3m of share capital subscribed to by the Group which remains uncalled as at 30 June 2018 and is payable when called for by the board of Troy Homes.

28. 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 notes 23 and 26. 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.

	2018 £m	2017 £m
Equity	**142.4**	130.6
Less: cash and cash equivalents	**(40.4)**	(26.5)
	102.0	104.1
Equity	**142.4**	130.6
Borrowings	**120.1**	94.5
Overall financing	**262.5**	225.1
Capital to overall financing	**38.9%**	46.2%

28. CAPITAL MANAGEMENT POLICIES AND PROCEDURES continued

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.

29. CONTINGENCIES

Inland Homes plc has guaranteed the obligations of certain borrowings of its subsidiaries:	**2018 £m**	2017 £m
Chapel Riverside Developments Limited	**11.5**	–
High Wycombe Developments Limited	**2.2**	–
Inland Homes Developments Limited	**20.0**	20.0
Inland (STB) Limited	**54.1**	29.2
Inland Property Finance Limited	**25.0**	14.0
	112.8	63.2

All of these subsidiaries are going concerns.

Inland Homes plc has guaranteed the obligations of certain subsidiaries with regards to the payments of sub-contractors. No guarantees were considered significant at 30 June 2018. At 30 June 2017 one guarantee was considered significant by the Group and was in relation to Inland Finance Ltd for a maximum of £0.8m. This guarantee expired during the year.

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 15.

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

30. RELATED PARTY TRANSACTIONS

The Group has interests in several joint ventures, all of which are considered to be material. Further information, including the Group's share of the net assets and net results of these joint ventures as well as outstanding loan amounts, interest and distributions received, can be found in note 15.

For details of compensation paid to the Directors and key management please see the Remuneration Committee report on pages 58 to 63 and note 6. For Directors' shareholdings in the Company please see the Directors' report on page 66.

Drayton Garden Village Limited had previously provided two loans of £1.4m and £0.6m at 10% pa and 4.5% pa respectively to a subsidiary of Energiser Investments plc, a company in which Mr Malde and Mr Wicks are shareholders and directors. These were both repaid during the year ended 30 June 2017.

Mr Malde is a Non-executive Director of Troy Homes Limited, an associate of the Group. Please see note 15 for balances outstanding from the associate and contractual terms of the debtors as at 30 June 2018.

31. POST BALANCE SHEET EVENTS

ZDP refinancing

On 13 August 2018, the life of the Group's existing ZDP shares was extended to 10 April 2024. Additionally, a further 1,000,000 ZDP shares were issued for gross proceeds of £1.5m. Following this issue, the number of ZDP shares in issue was 13,444,200 shares.

Notes to the financial statements

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32. SIGNIFICANT ACCOUNTING POLICIES

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 2018. 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's 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.

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 and 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 Statement of Financial Position 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 and in 'share of profits of associates' 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.

32. SIGNIFICANT ACCOUNTING POLICIES continued

Revenue

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

Sale of land 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.

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.

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 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%
Modular housing	- Over useful economic life estimated at 40 years
Leasehold property	- Over shorter of lease term and useful economic life

Material residual value estimates are reviewed as required, but at least annually.

Notes to the financial statements

for the year ended 30 June 2018 continued

32. SIGNIFICANT ACCOUNTING POLICIES continued

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 an 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. 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.

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.

Investments

Investments are classified as available-for-sale financial assets. They are carried at fair value with changes in the fair value recognised in other comprehensive income. Where there is a significant or prolonged decline in the fair value of an available for sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognised in other comprehensive income, is recognised in profit or loss. Investments in subsidiaries are included in the Company's balance sheet at the lower of cost and recoverable amount. Any impairment is recognised immediately in the income statement.

Inventories

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

Taxation

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

32. SIGNIFICANT ACCOUNTING POLICIES continued

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.

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.

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.

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.

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.

Notes to the financial statements

for the year ended 30 June 2018 continued

32. SIGNIFICANT ACCOUNTING POLICIES continued

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 the Group interprets 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.

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.

Five year summary

Year ended 30 June

	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Revenue	**147.4**	90.7	101.9	114.2	58.9
Profit before tax	**19.3**	19.6	33.7	34.9	9.6
Inventories	**136.2**	139.9	148.4	121.8	104.3
Cash	**40.4**	26.5	16.7	21.4	11.1
Gross debt	**120.1**	94.5	71.3	56.3	51.9
Net debt	**79.7**	68.0	54.6	34.9	40.8
Net gearing (%)					
IFRS	**56.0**	52.1	46.9	38.9	66.9
EPRA	**38.6**	35.0	29.3	n/a	n/a
Net assets					
IFRS	**142.4**	130.6	116.3	88.8	61.1
EPRA	**206.7**	194.4	184.7	n/a	n/a
Earnings per share (p)					
Basic	**7.64**	7.82	14.01	15.01	3.46
Diluted	**7.30**	7.46	13.38	14.09	3.26
Dividend per share (p)					
IFRS	**1.85**	1.40	1.10	0.60	0.27
Distribution of year's earnings	**2.20**	1.70	1.30	1.00	0.60
Net asset value per share (p)					
IFRS	**70.46**	64.62	57.66	43.92	29.63
EPRA - diluted	**98.03**	91.88	88.22	n/a	n/a
EPRA - undiluted	**102.28**	96.22	92.34	n/a	n/a
Private housing units sold	**275**	188	147	248	114
Land plots sold	**837**	780	425	440	169
Costruction contract equivalent units	**79**	37	21	39	16
Land bank plots	**6,870**	6,776	6,681	5,176	3,734
Plots with planning permission and resolution to grant planning consent	**1,708**	2,105	1,163	1,200	1,318
Plots without planning permission	**5,162**	4,671	5,518	3,976	2,416

List of definitions

Accident Frequency Rate (AFR)
The Accident Frequency Rate is a way of measuring the accidents we have based on a category of accident which is reportable to the Health and Safety Executive under RIDDOR.

Affordable Housing
Social rented and intermediate housing provided to specified eligible households whose needs are not met by the market, at a cost low enough for them to afford, determined with regard to local incomes and local house prices.

Brownfield site
Land which has been previously used or built upon.

Community Infrastructure Levy (CIL)
The CIL is a levy payable by developers to local authorities in England and Wales to help deliver infrastructure to support the development of the area.

Construction Skills Certification Scheme (CSCS)
CSCS is the leading skills certification scheme within the UK construction industry. CSCS cards provide proof that individuals working on construction sites have the required training and qualifications for the type of work they carry out. The scheme keeps a database of people working in construction who have achieved or are committed to achieving a recognised construction-related qualification.

Diluted figures
Reported results adjusted to include the effects of potential dilutive shares issuable under the Group's share option plans, LTIPs and deferred bonus schemes.

Display screen equipment (DSE) assessments
These assessments are not only a legal requirement but can help combat musculoskeletal disorders, reduced concentration levels and other ill-health effects that are symptomatic of time spent at poorly-designed workstations.

Earnings/earnings per share (EPS)
Earnings represent the profit or loss for the year attributable to equity shareholders and are divided by the weighted average number of ordinary shares in issue during the financial year to arrive at earnings per share.

European Public Real Estate Association (EPRA)
A not-for-profit association with a membership of Europe's leading property companies, investors and consultants which strives to establish best practices in accounting, reporting and corporate governance and to provide high-quality information to investors. EPRA published its latest Best Practices Recommendations in November 2016. This includes guidelines for the calculation of the following performance measures which the Group has adopted:

- EPRA net asset value per share

  NAV adjusted to include land and properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long term investment property business model.

- EPRA triple net asset value per share

  EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes on revaluations, where applicable.

Forest Stewardship Council (FSC)
FSC runs a global forest certification system with two key components; forest management and chain of custody. This system allows consumers to identify, purchase and use wood, paper and other forest products produced from well-managed forests and/or recycled materials. FSC's "tick tree" logo is used to indicate that products are certified under the FSC system.

General Data Protection Regulation (GDPR)
GDPR enforces rules that protect people against a wide variety of privacy issues and took effect on 25 May 2018. It enforces the right for people to lawfully agree with companies to use their private information. It also enforces the right for people to have their private information no longer accessible by a company and that users have the right to allow their private information to become public or not. The regulation also makes sure that no personal data is processed unless the user has allowed the processor of personal data to do so.

Golden brick
The 'golden brick' is the first brick laid above the foundation level. At this point, the house builder can zero rate the sale of land that will form the site of a building provided a building is clearly under construction.

Headroom
This is the amount left to draw under the Group's loan facilities (i.e. the total loan facilities less amounts already drawn).

Help to Buy
The Help to Buy equity loan scheme is a government scheme which provides equity loans to both first-time buyers and home movers on newly constructed homes worth up to £600,000 in England. Buyers have to contribute at least 5% of the property price as a deposit and obtain a mortgage of up to 75% and the government provides a loan for up to 20% of the price. The Help to Buy mortgage guarantee scheme helps people to buy a home worth up to £600,000 in the UK with a 5% deposit to obtain a 95% mortgage. The government gives a guarantee to the lender of up to 15% of the value of the property.

Key Performance Indicators (KPIs)
Activities and behaviours, aligned to both business objectives and individual goals, against which the performance of the Group is annually assessed. Performance measured against them is referenced in the Annual Report.

Net asset value (NAV) per share
Equity shareholders' funds divided by the number of ordinary shares in issue at the balance sheet date.

Net debt
Borrowings plus accrued ZDP liability less cash and cash equivalents.

Net gearing/EPRA net gearing
Loans and accrued ZDP liability less cash as a proportion of IFRS and EPRA net asset value respectively.

Programme for the Endorsement of Forest Certification (PEFC)
The Programme for the Endorsement of Forest Certification (PEFC) is an international non-profit, non-governmental organisation dedicated to promoting sustainable forest management through independent third-party certification. It works throughout the entire forest supply chain to promote good practice in the forest and to ensure that timber and non-timber forest products are produced with respect for the highest ecological, social and ethical standards. Its eco-label means customers and consumers are able to identify products from sustainably managed forests.

Planning permission
Usually granted by the local planning authority, this permission allows a plot of land to be built on, change its use or, for an existing building, be redeveloped or altered. Permission is either 'outline' when detailed plans are still to be approved, or 'detailed' when detailed plans have been approved.

Recurring profit before tax
Profit before tax after excluding any revaluation gains or losses.

Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR)
RIDDOR refers to the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013. The regulations require an employer to report any absence by an employee of seven days or more caused by an accident at work to the Health and Safety Executive.

Section 106 planning agreements (s106)
These are legally-binding agreements or planning obligations entered into between a landowner and a local planning authority, under section 106 of the Town and Country Planning Act 1990. These agreements are a way of delivering or addressing matters that are necessary to make a development acceptable in planning terms. They are increasingly used to support the provision of services and infrastructure, such as highways, recreational facilities, education, health and affordable housing.

Site Management Safety Training Scheme (SMSTS)
This is a course for anyone who has responsibilities for ensuring the Health and Safety of construction site employees.

Social Housing
Housing that is let at low rents and on a secure basis to people with housing need. It is generally provided by councils and not-for-profit organisations such as housing associations.

Advisers and company information

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