BRINGING LAND TO LIFE

Inland homes

Report and Accounts

for the period ended 30 September 2019

Welcome to the 2019 Report and Accounts

We are skilled in maximising the value of land. We have a proven track record in identifying land opportunities where we can optimise planning and then sell, self-build or partner with others to unlock the potential at each site and realise its full value.

Who we are

Inland Homes are established land professionals and housebuilders with a successful track record in the industry. We focus on building residential and mixed-use communities for sale, or for partner organisations, across the south and south-east of England. Since we began in 2005, we have built our business on our ability to identify opportunities for brownfield regeneration on sites where we add value by using our expertise to navigate the complex planning system to secure approvals.

Over time, we have evolved our strategy, business model and expertise to grasp the opportunities presented by a changing market. This meant growing our strategic land portfolio, and expanding into housebuilding and developing sites, both for direct sale and on behalf of affordable housing providers.

We consistently maximise the value of each project, with a decision to sell, build or work in partnership based on an assessment of each site's potential and the Group's cash requirements. This approach seeks to maximise year-on-year growth and strong shareholder returns.

Uniquely Inland – our principles

Safety first

Lasting legacy

Our biggest asset

Stronger together

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Read our online annual report at
www.inlandhomesplc.com

Read more about our developments at
www.inlandhomes.co.uk

KEY HIGHLIGHTS

for the reporting period 1 July 2018 - 30 September 2019

Our diversified and adaptable business model is reaping rewards

Chapel Riverside case study page 20

Highlights

113.69p

EPRA NAV per share*

Year ended 30 June 2018: 102.28p

+11.2%

£147.9m

Revenue

Year ended 30 June 2018: £147.4m

+0.3%

£25.0m

Profit before tax

Year ended 30 June 2018: £19.3m

+29.5%

11.79p

Earnings per share

Year ended 30 June 2018: 7.64p

+54.3%

Our main priorities for 2019/20

01

Continue to increase the size of our land bank

02

Continue to increase the number of partnership schemes

03

Secure build-to-rent opportunities in the new financial year

* A reconciliation of EPRA NAV per share from IFRS NAV per share is outlined on page 26

3.10p

Dividend per share

Year ended 30 June 2018: 2.20p

+40.9%

£2.4bn

Gross development value

Year ended 30 June 2018: £2.1bn

+14.3%

90.7%

Employee retention

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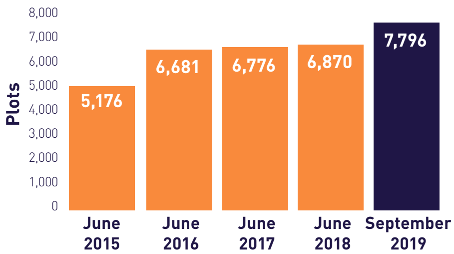
Our performance

Land

- Record 7,796 plots in land bank
- Planning consent received for 1,557 residential plots at Cheshunt Lakeside and Wilton Park
- Sold 577 consented land plots
- Increased strategic land bank of non-brownfield sites to 45% of total land bank
- Increased number of plots with planning permission: 2,956 (2018: 1,708)

Land bank



Build

- Increased number private homes under construction to 892 (2018: 682)
- Continued to deliver high-quality, affordably priced homes, with an average selling price of £250,000
- £39.3m forward order book for private and commercial units

Partner

- 319% increase in partnership housing homes under construction to 921 (2018: 220) across five sites
- £5.4m development agreement signed with Watford Community Housing Trust for 45 homes at Farrier's Wood, Garston

Our responsibility

- £5.1m community contributions via Section 106, legal agreements and CIL payments
- Accident Frequency Rate (AFR) 0.12
- Considerate Constructors Scheme score 42.5/50

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Our risk profile

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

Our principal risks page 30

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Our people

- 161 people employed by the Group as at 30 September 2019
- 200 people hosted at second subcontractor conference

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Hugg Homes case study page 46

Investment case

Farrier's Wood, Garston, Hertfordshire

01

Strong and balanced portfolio

Our land portfolio is in the south and south-east of England, where there is ongoing and sustained demand for additional housing. This land bank is principally brownfield sites both with and without planning permission, plus strategic sites which are light on capital resource. The gross development value of our entire land bank is £2.4bn. It comprises a record 7,796 plots, of which we have planning consent for 2,956.

02

A balanced and flexible business model

The number of options in our business model enables us to realise the value in our land bank and maximise returns. It includes the strategic disposal of consented land to suit our investment priorities, as well as the construction and forward sales of private homes and partnership housing contracts which provide consistent cash flow. Additionally, we have a portfolio of properties providing a steady stream of rental income and cash that contributes towards our overheads.

03

Land-planning experts

We employ highly experienced management and specialist development teams. Our versatile structure, local insight and opportunistic approach gives us a competitive edge in identifying and securing suitable land opportunities. We maximise each project's potential to ensure healthy returns, based on a sustained record of securing planning permission for complex brownfield sites. We have a 100% success rate in achieving planning consent on brownfield sites.

04

Proven self-build and partnership-building capability

We have built the majority of our homes since 2016, providing greater control over quality and costs. Our ambitious, high-quality and affordably priced developments are in high demand. They generate appropriate rewards for our business, our shareholders, the local community and other stakeholders. There is strong demand from housing associations for projects where we provide both the land and the construction. With our proven credentials for this work, we are well positioned to maximise further market opportunities.

Our value chain

1. Identify land

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

2. Acquire land

Short-term returns

Our financing resources and strong reputation as being trustworthy and reliable mean we can act quickly to secure promising sites. Sites acquired can often deliver short-term returns. Emphasis is on ensuring 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. Most recently we are promoting 'meanwhile' use, generating revenue through our pop-up residential product, Hugg Homes.

3. Achieve planning permission

Once a site is acquired, stakeholder consultations and extensive research continue as we prepare our bids for planning permission. We have a 100% success rate in achieving planning permissions on brownfield sites.

4. Sell land

Short-term returns

Once planning consent is achieved, we have the opportunity to sell the whole or part of a site to other housebuilders or housing associations for a short-term return.

(or)

5. Partial sale and partnership contracts

Medium-term returns

We can sell a portion of a site while carrying out infrastructure works and housebuilding on other parts. Together with partnership deals on a turnkey basis with housing associations, we deliver revenue in the medium term.

(or)

6. Develop the whole site

Long-term returns

Building a whole development takes more time but maximises the revenue a site can deliver over the long term. With a predominantly self-delivered housebuilding programme through our in-house construction team, we can protect revenue returns through the benefit of design and build efficiencies, alongside confidence and control of cost, programme and overall scheme quality.

Money is reinvested

Our agile business model page 18

CHAIRMAN'S STATEMENT

> "Inland Homes has all the components in place to deliver even more success and shareholder value in the year ahead."
>
> **Terry Roydon**
> **Chairman**

Inland Homes has adopted a diversified and adaptable business model that is reaping rewards for our stakeholders. The Group is progressing on its growth trajectory and building momentum. We have developed a reputation as experts in identifying the right land opportunities and in having the skills to secure planning permission on what are primarily complex brownfield sites.

While this entrepreneurial outlook remains a key part of our culture, our evolving strategy and diversification now provide us with the flexibility to realise more value from the land bank. Our business plan includes the provision of planning and management services, the sale of land where we have achieved planning consent, as well as forward sales of homes and construction contracts.

Operations

We have continued to grow while investing in high-quality staff and systems, at the same time as improving the quality of our building work and increasing the satisfaction of our customers and partners.

Revenue for the period was £147.9m (year ended 30 June 2018: £147.4m), in line with the Directors' expectations, and the land bank sits at a record 7,796 plots, of which 2,956 have planning permission. Achieving planning consent for our 100-acre flagship scheme, Wilton Park, Buckinghamshire, and for our largest-ever scheme, at Cheshunt Lakeside, Hertfordshire, are significant milestones and achievements for the Group, together adding consent for more than 1,500 homes. These two consents have led to a respectable increase in the EPRA value of the Group's assets and provide a significantly improved pipeline for our business activities.

The Group's flexible model enables it to maximise market opportunities. A growing part of the Group's business is now providing planning and management services to investors in the property sector. During the period, management fees increased by 675% to £18.6m (year ended 30 June 2018: £2.4m). This activity is an attractive proposition to the Group, with significantly reduced equity and debt exposure and strong operating margins.

Results and dividend

The Group achieved profit before tax of £25.0m for the period (year ended 30 June 2018: £19.3m). The EPRA net asset value per share has increased, from 102.28p to 113.69p per share, while net asset value per share has increased from 70.46p to 78.84p.

Net gearing increased to 93.9% in the period (30 June 2018: 56.0%) due to the increase in the Group's land bank and work in progress. Net debt is expected to fall in the year ahead due to sales receipts from large-scale apartment developments, securing land by way of discount to market value options, acquiring sites within our land asset management activity and expanding the Group's partnership housing activity.

With a substantial number of highly sustainable sites suitable for rental housing, we expect to secure build-to-rent opportunities in the new financial year. As we evaluate this opportunity and consider the best way to develop the sites at Wilton Park and Cheshunt Lakeside, we continue to consider actively all our funding options, including equity and further joint ventures, with a view to maximising returns for shareholders.

In recognition of the Group's continued growth and its planning consent achievements, the Board has declared the payment of a second interim dividend of 2.25p per share. This, together with the first interim dividend of 0.85p (2018: 0.65p) per share already paid, will make total dividends of 3.10p (2018: 2.20p) per share. As a result, there will be no proposed final dividend for the 15-month period ended 30 September 2019.

↑
Meridian Waterside, Southampton, Hampshire

Governance

A key function of the Board is to ensure good corporate governance at all times. The Board is fully committed to upholding the principles of good governance as set out in its chosen governance code, the Quoted Companies Alliances (QCA) Corporate Governance Code, and you will see further details on how we achieve this in the pages that follow.

We were pleased to announce the appointment of Kat Worth (ACG) as Group Company Secretary, effective from 5 March 2019. Kat has held a number of roles within the public and private sectors and before joining Inland Homes was Group Company Secretary to a large housing association based in London. There, her remit included acting as the Lead Officer for the Remuneration and Nominations committees, ensuring compliance with the provisions of the UK Corporate Governance Code and the Financial Reporting Council's (FRC) guidance on board effectiveness. With Inland Homes adopting the QCA Code in 2018, Kat is playing a valuable role in ensuring the Group's ongoing compliance with the Code's requirements. There were no changes to the Non-executive Board members during this period.

Market trends

The lack of suitable housing in our target markets continues to result in sustained demand for the houses and apartments we build. However, we need focused and positive dialogue between the Government and industry in the face of ongoing political and regulatory uncertainty.

If the Government is to achieve its goal of building 300,000 new homes a year by the mid-2020s, the planning process needs further attention. Housebuilders spend an enormous amount of time and money obtaining consents and on clearing reserved matters within an outline planning consent. An extension or alternative to the existing Help to Buy scheme, due to end in 2023, will also be essential to keep the market moving.

Outlook

Having secured planning consent at Wilton Park and Cheshunt Lakeside, with a record number of homes under construction (both for private sale and on behalf of partners) and increased market confidence following the general election, Inland Homes has all the components in place to deliver even more success and shareholder value in the year ahead.

We have some very lucrative land opportunities in the pipeline which we are seeking to acquire with a capital light structure in which the bulk of the capital is provided by investors. This will increasingly be a strategic focus for the Group.

Terry Roydon
Chairman
30 January 2020

£25.0m

Profit before tax

3.10p

Total dividend

Centre Square,
High Wycombe,
Buckinghamshire

STRATEGIC REPORT

Q&A WITH STEPHEN WICKS

"In line with our strategic priorities, we now have our largest-ever land bank; we own more plots with planning permission than at any time before; and have continued our increase in the number of homes and partnership homes we are building."

Stephen Wicks
Chief Executive Officer

What were this period's highlights?

This year, Inland Homes has reached new heights for our land acquisition, construction and partnership activities. In line with our strategic priorities, we now have our largest-ever land bank; we own more plots with planning permission than at any time before; and have continued our increase in the number of homes and partnership homes we are building.

Within that, the highlights have been achieving two significant planning consent milestones, with permission granted for both our flagship 100-acre site at Wilton Park in Beaconsfield, Buckinghamshire and for our largest-ever development, at Cheshunt Lakeside in Cheshunt, Hertfordshire. Achieving these consents follows several years of extensive consultation. We have an unbroken track record in obtaining planning approvals on complex brownfield sites, which is why I rate these two consents as the significant features of the reporting period. Together, these two sites have planning consent for more than 1,500 homes.

The number of plots in our land bank now stands at a record 7,796 and, of these, 2,956 have planning consent. With the self-build and partnership arms of our Group growing in scale and reputation, we have key pieces in place to fully maximise the value of this land across the short, medium and long term.

Is land acquisition still important to the business strategy?

The clue is in our name! Everything we do stems from securing the right land opportunities. Our ability to identify, purchase and secure planning approvals on complex sites enables us to maximise each site's potential, whether that is by selling, building for private sale or partnership activities. Identifying the right land opportunities is still the key to our success.

Will construction and partnership activities continue to play a growing role in your business model?

Yes. At the end of the reporting period we had 1,813 homes under construction across 12 schemes (including five partnership schemes) and we want to maintain this momentum and increase year-on-year the proportion of these that we build for partners.

Having an in-house construction capability gives greater control over a project and should reduce our costs. We can buy materials and employ subcontractors directly, build higher-quality homes more efficiently and offer customers a first-class service. Since appointing Gary Skinner as Group Managing Director in 2016, we have invested extensively in systems and personnel, and this is now starting to pay off.

With the Government's target to build 300,000 homes per annum by the mid-2020s, we expect significant and sustained growth in the demand from housing associations, where the developer is expected to provide the land and construction. We have already more than quadrupled the number of homes being built on behalf of partners since the previous reporting period, with more than half of the homes under construction being built on behalf of our partners (921 of the

1,813 under construction). With our track record of creating high-quality homes on time and budget, we are in a strong position to make the most of this anticipated increased demand.

Brexit continues to dominate the political landscape. How is Inland Homes faring, and what have you done to mitigate any ongoing impact?

The uncertainty over Brexit has caused considerable caution with first-time buyers (who are our target market), and there has been lower demand in Central London (where we continue our policy of having no activity). However, there remains a shortage of housing across the UK, and property values and demand in the south and south-east, where we operate, remain healthy.

While this housing demand underpins our strategy, we have refined our priorities to ensure we maximise current market opportunities and reduce risk. Our strategic land bank of non-brownfield sites now makes up 3,523 of our 7,796 plots. We hold these sites on 'discount to market value' options, which we are only required to exercise after we obtain planning consent, providing medium-term opportunities without tying up significant amount of capital.

We are experiencing exceptionally high demand from housing associations, where we provide the land and construction of the scheme, and increasing the number of homes build through partnership schemes is a clear strategic priority. These schemes reduce our exposure to any softening of the market. We realise an immediate cash injection from the land sale and recognise revenue and cash through monthly payments of certified work done for our customers. We see partnerships with housing associations and local authorities as our biggest growth opportunity.

What planning reforms would you like to see implemented?

The planning process needs further reform, as housebuilders continue to spend an enormous amount of time and money obtaining consents. Much time is spent on achieving an outline planning consent which is then prolonged by time spent in obtaining detailed planning consent. This causes delays in building homes. For example, we spent three years and more than £3.2m securing an outline planning consent at one of our major sites.

The biggest single reform to improve the planning system would be to 'ring fence' and increase planning fees so that local authorities can invest in sufficient and experienced personnel.

In recent years, Help to Buy has been responsible for a significant chunk of transactions, particularly in the new-build market, with 65% of our completions this period supported by the scheme. Government needs to look seriously at what will replace the scheme when it is due to come to an end in 2023. An extension or alternative scheme is essential.

Scrapping all stamp duty for properties under £500,000 would be a big win for buyers. However, the Government should also consider reducing the burden of this tax on properties above £500,000 as the tax loss is unlikely to be material, yet would help increase the number of transactions.

Q&A with Stephen Wicks

CONTINUED

How does Inland Homes' subsidiary, Hugg Homes, fit with your strategy?

Hugg Homes helps us realise additional value from land while it is going through the planning process. The modular units support local authorities and others in meeting short-term housing needs with a quality that ranks favourably against other options. With local authorities spending nearly £1bn a year on temporary accommodation in 2017-18, there is huge potential for growth.

What has happened with Rosewood Housing this period?

We registered Rosewood Housing, a wholly owned subsidiary of Inland Homes, as a for-profit provider of social housing in August 2018. During this reporting period, we finalised its second affordable housing transaction for a new housing development in Tring.

Rosewood provides the opportunity to develop, hold and manage certain Section 106 affordable homes. It comprises a mix of rented and shared-ownership units that need to remain within the regulated sector, while owned by a registered provider. In particular, we expect to generate revenue from the 'staircasing' of shared-ownership homes, where residents can buy further shares in their property once they have lived in it for a period of time. We will continue to grow our affordable housing portfolio in the coming year.

What is your approach to health and safety?

It's a no-compromise approach. The safety of our staff, contractors and the communities we operate in is our utmost priority. In August, the Group reached its target of having worked 2.5 million man-hours with no reportable incidents and as at 30 September 2019 our Accident Frequency Rate (AFR) stands at 0.12.

We are acutely aware of the fact that as the construction arm of the business grows, so do the number of high-risk activities. With this in mind, we are reaffirming our commitment to safety throughout the business and all employees will attend a health and safety day conference in the year ahead.

Inland Homes has invested heavily in its workforce. Why has this been important?

Attracting new talent and retaining experience gives us a competitive edge. As the building arm of the business grows, so do employee numbers. We had 161 employees at the end of the reporting period, compared to 105 last year. Most of these roles are site based but support staff roles have also increased. We will continue to focus on maintaining the quality and strengths of our team.

What is the outlook for the year ahead?

Our agile business model enables us to respond to the opportunities the market presents.

With the requirement for affordable homes being a priority for Government and local authorities, there is exceptionally strong demand from housing associations for projects where we can provide both the land and construction service.

We have some very lucrative land acquisition opportunities which we are seeking to engage in a 'capital light' structure, while our net borrowings reduce to improve our balance sheet. Specifically, we are now targeting pro-development London Boroughs, such as Barking and Dagenham, Waltham Forest and Hounslow.

With our track record of creating high-quality homes on time and budget, we are in a strong position to make the most of this increased demand. We are aiming to increase our share of this growing market and have created a land bank to achieve this objective.

In recent months and in the year ahead, our focus will be on acquiring land where we act as asset managers on behalf of third parties. We have a 100% success rate in securing planning consent on brownfield sites and have established a reputation for delivering on behalf of these stakeholders. This activity is light on our capital and at reduced risk while still providing enhanced financial contributions to Inland Homes. This reflects the expertise added by the Group in the management process.

With a substantial number of highly sustainable sites suitable for rental housing, we also expect to secure build-to-rent operators in the current financial year. As we evaluate this opportunity and consider the best way to develop our sites at Wilton Park and Cheshunt Lakeside, we are actively exploring funding options.

7,796

Land bank plots

1,813

Homes under construction


Centre Square,
High Wycombe,
Buckinghamshire

CHESHUNT LAKESIDE

52,797sqft

Commercial space

1,253

Residential plots

£429m

Estimated gross development value

Planning permission secured at Cheshunt Lakeside

Demonstrating our expertise in securing planning approvals on complex brownfield sites, in August 2019 we were delighted to secure planning consent at Cheshunt Lakeside in Cheshunt, Hertfordshire. Part of the 30-acre brownfield site used to be Tesco's headquarters and it is our largest ever mixed-use development.

We are the lead developer on the broader masterplan, which will create a new 'urban village', with 1,725 homes, 204,514sqft of commercial space and provision for a new primary school. Of these, we own and control 1,253 residential plots and 52,797sqft of commercial and educational space. The estimated gross development value of the 30-acre site is £620m, with £429m of this representing the plots we control within our joint venture.

Cheshunt Lakeside will sit in eight acres of landscaped grounds and will include a public square, shops, cafés and improved transport links. We estimate the completed site will create 1,000 new jobs. In addition, 250 jobs and 30 apprenticeships will be created during construction.

Planning permission took three years of close consultation with the local councils and community. We were able to agree promptly the terms of the Section 106 agreement, a clear indicator of our success in working with local councils on complex sites.

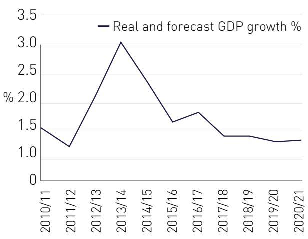
We are eager to start construction and transform this former industrial site into a thriving residential and business community. In October 2019, we made the first reserved matters application to build 195 homes.

Project timeline

June 2019	**Resolution to grant planning permission**
August 2019	**Planning permission and Section 106 agreement signed securing £14 million in public investment**
October 2019	**Demolition of Tesco buildings on site**
October 2019	**Reserved matters application for first phase submitted**
Summer 2020	**Construction of first phase of homes to begin**

Key aspects of our marketplace

UK GDP 2019

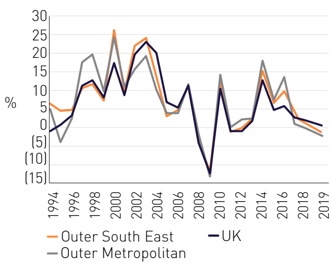


Source: ONS/OBR

+1.2%

(ONS estimated figure for 2019 calendar year)

UK House price index

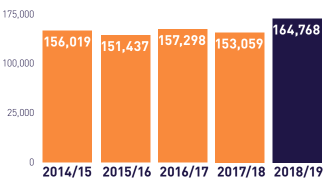


Source: Nationwide

+0.6%

(to 30 June 2019)

New home registrations 2019

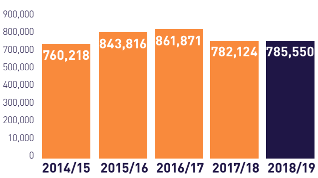


Source: NHBC

+7.7%

(to 30 June 2019)

New mortgages 2019



Source: Bank of England

785,550

(to 30 June 2019)

LAND

Market trend

There were 443,600 planning applications submitted and 355,000 decisions granted in England during the 12 months ended 30 June 2019. This is a 5% decrease in the number of decisions granted compared to the previous year.

Context

Government has reiterated its commitment to speeding up planning approval and housing delivery. Updates to the National Planning Policy Framework give greater powers to local authorities who are required to put in place five-year plans to meet their housing needs.

Opportunity

Our expertise and perseverance mean that we have a good success rate in getting sites allocated for development in local plans. However, we call on Government to further reform the planning process to speed up the application process. The planning system remains cumbersome and bureaucratic, with local government planning teams under-resourced and a 'one size fits all' approach taken to the process.

Source: Planning Applications in England: April to June 2019: Ministry of Housing, Communities and Local Government

Market trend

There were 84,740 households reported as being in temporary accommodation (March 2019), a 77% increase since December 2010, where the use of temporary accommodation hit its lowest point since 2004.

Councils across England are spending nearly £1bn a year on temporary accommodation housing these families.

Context

The shortage of affordable housing in the UK is forcing local authorities to meet immediate housing needs using bed and breakfast and hostel accommodation, at significant expense to the taxpayer.

Opportunity

Our subsidiary, Hugg Homes Limited, offers a high-quality, cost-effective solution that is available in 12 weeks. The bespoke, modular units are located on inactive land and are let in line with local authority housing allowance rates, offering a cost-effective alternative.

Source: Households in temporary accommodation (England) briefing paper, Number 02110, 15 October 2019
Source: Spend on temporary accommodation: Inside Housing

BUILD

Market trend
There were 164,768 new home registrations between 1 July 2018 and 30 June 2019 in the UK, an increase of 7.7% on the same period in the previous year.

Context
Despite political uncertainty and a softening of the market in London, demand for new build housing remains strong in our own operating area.

Opportunity
We continue to increase our build portfolio to meet this demand, with 892 private and 921 partnership homes under construction.

We remain focused on the first-time buyer, first-time mover market in the south and south-east of England where demand remains strong.

Source: New home completions: NHBC

Market trend
The Bank of England base rate remains at 0.75%. Mortgage approvals increased from 780,000 in the twelve months to 30 June 2018 to 785,550 in the year to 30 June 2019.

Context
Borrowing costs remain at a historically low level and mortgage approvals have increased. Mortgage affordability remains strong.

Opportunity
The continuing supply and demand imbalance, combined with the ongoing availability of Help to Buy, and low interest rates creates a healthy market. We anticipate continued demand for our high-quality, affordable homes which have an average selling price of £250,000.

Source: Base rate and mortgage approvals: Bank of England

PARTNER

Market trend
The Government's target to build 300,000 new homes a year by the mid-2020s is at risk of not being met.

Context
A National Audit Office report shows that hitting the target requires a huge increase in housebuilding after 2020.

Opportunity
We anticipate even greater demand from housing associations for the delivery of turnkey projects, where we deliver the land and the build on their behalf. We are in an excellent position to grow this partnership housing business significantly with the consented land bank we are creating.

Source: National Audit Office 'Planning for New Homes'

Church Road, Ashford, Middlesex

Our agile business model

Our agile business model enables us to secure land opportunities both for the Group as principal and for investors to whom we provide our planning expertise and management services in return for a significant share of the development profit.

We make a decision to sell, build or work with a partner following receipt of planning consent, based on a detailed assessment of each site's potential. This approach creates short, medium and long-term returns for investors and supports the maintenance of a strong balance sheet.

Identify and acquire land

Secure planning approval

Land

Full or partial sale to developers

Build

Full or partial self-build and sale

Partner (contract income)

A construction contract for Inland Homes to build, with full or partial sale to housing associations, investors and institutional landlords

Adding value

Land

- Generates cash flow to fund our activities
- Captures the land-value uplift achieved by securing planning approvals

Build

- Captures the development margin, plus the land-value uplift achieved from securing planning
- Provides direct control of build costs

Partner

- Accelerates revenue and provides positive working capital
- Reduces net borrowing

Achievement for our stakeholders

Developer benefit:

- Barriers to development resolved before sale
- Land sold with planning permission for the right housing mix and development size, to maximise the value of the site

Homeowner benefit:

- Range of affordably priced, high-quality and attractive homes available
- Each development designed to suit modern lifestyles and individually tailored to the location

Partner benefit:

- Proven credentials and positive reputation as a partner gives housing associations confidence in our ability to complete projects
- Range of affordably priced, high-quality and attractive homes available

Investment case page 4

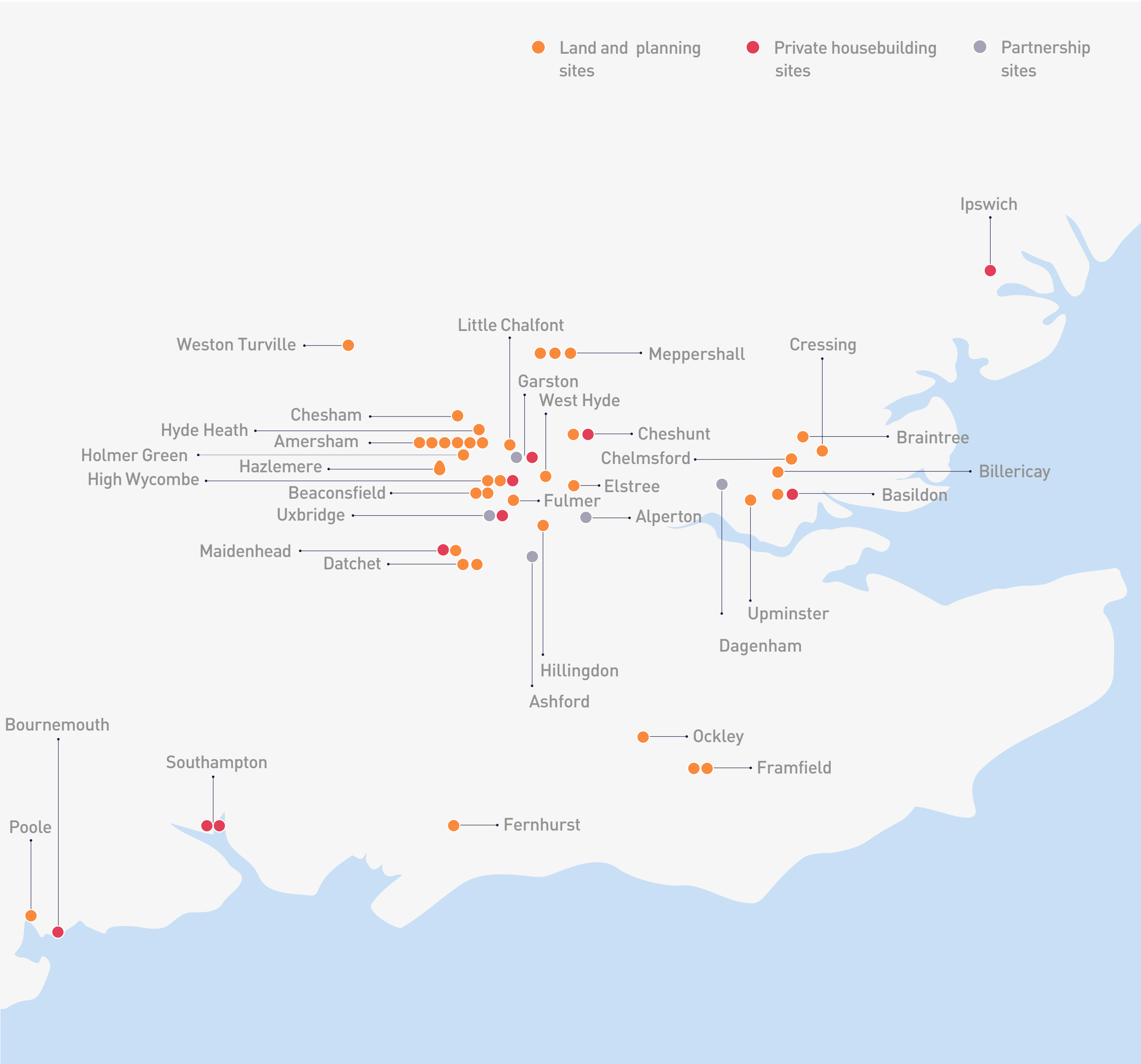
A focused portfolio

As our name indicates, land is the foundation of our business model. The size of our land bank increases annually, with our activity focused on identifying the right opportunity, acquiring the land, and securing planning approvals. The majority of our sites are in the south and south-east of England.

While brownfield land activity remains our main focus, we are growing our strategic bank of non-brownfield land. The addition of this strategic land to the portfolio opens up medium-term opportunities which are significantly less capital intensive and provides us with opportunities that would not be available solely from dealing with brownfield land.

In 2018-19, our land bank increased from 6,870 to 7,796 plots and our strategic land bank grew significantly. Strategic land now totals 595 acres, with the potential for approximately 3,523 plots, comprising approximately 3,018 houses and 505 apartments.

In a major milestone for the business, this year we achieved planning consent for our flagship project, Wilton Park in Beaconsfield, Buckinghamshire and our largest-ever scheme, Cheshunt Lakeside in Cheshunt, Hertfordshire. Together these two sites provide consent for more than 1,500 homes.




CHAPEL RIVERSIDE
Winner
2018/19 International Property Awards UK - Mixed Use Development UK
£100m
Estimated gross development value
457
One, two and three-bedroom homes

Chapel Riverside in Southampton demonstrates our experience and expertise in securing planning approvals and building homes on complex brownfield sites.

With a local authority in favour of development, and an established local supply and delivery team, we have been able to maximise the value of the development and play an important role in regenerating the area.

Developed as a successful venture with Southampton City Council, this major nine-acre regeneration project will create 457 new one, two and three-bedroom homes, many with waterside views, and 64,000sqft of commercial space.

Phase one at Chapel Riverside, consisting of 72 units, completed in October 2018. The sale of phase three, with 132 one, two and three-bedroom apartments, was launched in June 2019.

Chapel Riverside is a prime example of our expertise in brownfield site regeneration and the additional value our in-house construction team can bring. It is not just about creating homes. We have laid strong foundations for a new community to grow, and before construction commenced, conducted vital remediation and improvement works that will benefit Southampton for many years.

Our investment includes raising the site level and building a critical first section of a 210m sea wall to protect the city at a cost of £2.5m. This area of Southampton had been identified as having a medium-to-high risk of flooding, and with Chapel Riverside sitting at the lowest point, defences on the site boundary with the river are significant for the city. We completed construction of the sea wall in September 2018.

We are now carrying out extensive remedial works as part of phase three. The former Town Depot left a legacy of disused buildings, contaminated ground, and large surface-water tanks that need careful demolition, decontamination and relocation underground at a cost of around £5m. This major piece of civil engineering work involves sinking a 20m water tank to a depth of 17m from ground level. It will reduce the risk of water contamination and greatly improve the look of the area, while releasing more land at ground level to form part of a public plaza with access to the new waterside promenade.

Our ability to manage major civil engineering works in-house, gives greater cost and schedule control, creating additional value for Southampton City Council.

Chapel Riverside is a six-year development, on schedule for completion by 2024.

Our strategy

Our business plan includes the provision of planning and asset management services.

Identifying the right land opportunities, and securing planning permission on these sites, remains the essence of what makes us uniquely Inland Homes. In parallel, we continue to grow our partnership and private housebuilding activities; areas where we are demonstrating a successful track record, and positioning ourselves for growth.

Our varied range of financing options gives us flexibility. Our business plan includes selling consented land, which we can tailor to our cash flow requirements, as well as forward sales of homes and partnership housing contracts in hand that provide consistent cash flow. Additionally, we have a bank of properties providing a steady stream of rental income that contributes to our overheads.

Continue key activity of identifying the right sites and securing planning

Description

This is the foundation of our business. Sites we buy range from those ready for immediate development, strategic acquisitions that open up the potential of neighbouring land and areas that will become key housebuilding terrain in the future. The Group's focus is to have a land bank of approximately 10,000 residential plots in the medium term.

Financial driver

- Balanced land bank delivers short, medium and long-term returns
- Delivers above market returns for investors

Performance

- Land bank: gross development value £2.4bn
- Total land bank plots: 7,796 (year ended 30 June 2018: 6,870)
- Land plots sold: 577 (year ended 30 June 2018: 837)
- Number of plots with planning permission: 2,956 (year ended 30 June 2018: 1,708)

2020 priorities

Continue to secure more planning consents and acquire sites with excellent potential to add value.

KPIs

- EPRA net asset value per share
- Net gearing
- Number of plots with or without planning consent
- Residential home sales
- Planning permissions gained during the period

Increase the size of our strategic land bank where residential development is expected

Description

The acquisition of strategic land to the portfolio opens up medium-term opportunities. These are significantly less capital intensive and provide us with opportunities which would not be available dealing solely with brownfield land.

Financial driver

- Strategic land bank delivers long-term returns which maximises shareholder value
- Reduced risk
- Low initial investment of capital

Performance

- Strategic land plots: 3,523 plots, totalling 595 acres
- Potential for approximately 3,018 houses and 505 apartments

2020 priorities

Continue to secure more planning consents and secure options over sites with excellent potential to add value. We have a target to reduce EPRA net gearing below 40%.

KPIs

- Number of plots with or without planning consent
- EPRA net asset value per share
- Planning permissions gained during the period

Continue policy of selling appropriate plots when we have secured planning permission

Description
Our policy of selling consented plots to third parties generates cash and profit. Sales will be focused towards those where our building division can secure the construction contract.

Financial driver
- Short-term returns
- Cash inflow funds other activities

Performance
- Land plots sold: 577 (year ended 30 June 2018: 837)
- Number of plots with planning permission: 2,956 (year ended 30 June 2018: 1,708)

2020 priorities
Selective disposal of sites to housing associations and other developers.

KPIs
- Revenue
- Net gearing
- Number of plots with or without planning consent
- Planning permissions gained during the period

Increase the number of homes built through partnership schemes on behalf of registered affordable housing providers

Description
Delivery of affordable homes is high priority for Government and local authorities. There is strong demand from housing associations for projects where we can provide the land and the construction.

With a number of schemes in development, and the land bank we are creating, we are focused on increasing our share of this growing market.

Financial driver
- Immediate cash inflow from land sale
- Recognition of revenue and cash flow through monthly valuations reduces equity capital requirement and additional borrowings, and de-risks the development from any sales risks

Performance
- 319% increase in partnership housing, homes under construction to 921 (2018: 220)

2020 priorities
Continue to increase the number of homes being constructed for partnership schemes.

KPIs
- Revenue
- Gross margin

Focus on building private sale homes which meet the needs of the market

Description
Having proved our credentials as a high-quality housebuilder with award-winning developments, we continue to build momentum and develop our portfolio, building homes which meet market need.

There is continued demand for affordably priced, high-quality homes in the south and south-east of England.

We are focused on developing a pipeline of 1,000 homes per annum for private sale and are now the constructor at the majority of our sites.

Financial driver
- Greater cost and quality control
- Site revenue maximised over the long term

Performance
- Open market completions: 202 (2018: 275)
- Forward sales: £26.0m (year ended 30 June 2018: £20m)
- Average selling price £250,000 (year ended 30 June 2018: £293,000)
- Average sales rate per active site over the past 15 months of 0.73 homes a week (year ended 30 June 2018: 1.34)

2020 priorities
Focus on houses rather than apartments, as there is greater demand, and reduced lock-up in work-in-progress.

KPIs
- Revenue
- Average weekly sales rate
- Gross margin

GROUP FINANCE DIRECTOR

> "The Group has made significant and tangible progress across its key performance segments which include its land activities, the provision of planning and management services to investors and its private housebuilding and partnership housing activities."

Nishith Malde
Group Finance Director

Key financial highlights:

- EPRA net assets: £233.9m as at 30 September 2019, a 13.2% increase from £206.7 million at 30 June 2018
- EPRA net assets per share as at 30 September 2019: 113.69p (30 June 2018: 102.28p)
- Revenue for the 15-month period ended 30 September 2019: £147.9m (year to 30 June 2018: £147.4m)
- Profit before tax for the 15-month period to 30 September 2019: £25.0m (year to 30 June 2018: £19.3m)
- Net gearing as at 30 September 2019: 93.9% (30 June 2018: 56.0%)
- Net gearing on EPRA NAV basis as at 30 September 2019: 65.1% (30 June 2018: 38.6%)
- Second interim dividend for the 15-month period to 30 September 2019: 2.25p per share (year to 30 June 2018: 1.55p per share)

Introduction

On 6 June 2019, the Group changed its accounting reference date from 30 June to 30 September so that its reporting timetable was more closely aligned to value recognition and the operational cycles of the business. Consequently, the current period presented is 15 months and the comparative information is for 12 months throughout this report.

Over the past 15 months, the Group has made significant and tangible progress across its key performance segments which include its land activities, the provision of planning and management services to investors, and its private housebuilding and partnership activities.

During the 15-month period to 30 September 2019, the Group has continued to create substantial shareholder value from increasing its land portfolio and adding value through planning, as well as expanding both its private housebuilding and partnership housing programmes.

Operational performance

Revenue for the period to 30 September 2019 was £147.9m (year ended 30 June 2018: £147.4m). The small increase is due to lower revenues being generated from the sale of residential plots and a reduced number of private homes being completed during the period. This is due to the nature of our construction programme on a number of our large-scale apartment developments, where legal completions can only be achieved on handover of completed blocks.

The Group sold 532 plots excluding joint ventures (year ended 30 June 2018: 837 plots) for £29.2m (year ended 30 June 2018: £59.3m) and 130 private homes, excluding joint ventures and sale of reversionary freeholds (year ended 30 June 2018: 242 private homes) for £32.5m (year ended 30 June 2018: £70.2m). The average selling price of our homes was £250,000 (year ended 30 June 2018: £293,000). The reduction is due to a change of mix of houses and apartments sold as well as the locations of the homes sold. Our net reservation rate per active outlet during the period was 0.73 (year ended 30 June 2018: 1.34).

The housing market has seen a marked improvement since the decisive outcome of the general election. Despite the nature of the eventual Brexit deal, the sales expectation indicators point towards a more upbeat trend in the housing market.

The Government's Help to Buy initiative continues to be a significant factor in the market with 65% (year ended 30 June 2018: 58%) of our homes sold (including joint ventures) using this scheme. Our forward sales of homes reserved and exchanged at 30 September 2019 amounted £26.0m. In addition, we have forward sold a hotel under construction at our development in

Bournemouth for £13.3m.

Revenue from our partnership housing programme increased to £62.6m (year ended 30 June 2018: £12.0m). The Group has created a platform to use its land bank to grow this part of the business quite significantly as it balances exposure to market risk and provides regular cash flow, requires no debt and deploys a limited amount of equity.

A growing part of the Group's business is procuring sites and providing planning and management services to investors in the property sector. The Group typically enters into a planning and management services agreement with the investors which includes procuring the opportunity to acquire brownfield land, adding value by managing the planning process and proposing a disposal plan for the consented site. This activity enables Inland Homes to earn substantial fees with a significantly reduced injection of equity and debt exposure. This part of the business will generate significant operating margins for the Group as a result of the minimal direct costs attributable to this activity. It also assists in the expansion of our partnership housing activity as the land can be sold to housing associations with a construction contract for Inland Homes. Management fees increased to £18.6m (year ended 30 June 2018: £2.4m) during the period.

The Group's gross margin improved to 22.0% (year ended 30 June 2018: 21.6%) and its operating margin increased substantially to 22.1% from 15.9%, predominantly due to the sale of our beneficial interest in Cheshunt Lakeside Developments Limited (CLDL) explained further below. Profit before tax was £25.0m (year ended 30 June 2018: £19.3m).

Administrative expenses have increased from £9.4m to £15.7m and this predominantly reflects investment made in our staff, with the average number of employees increasing from 93 to 138, and total employee numbers increasing from 105 as at 30 June 2018 to 161 on 30 September 2019. As stated above, the expansion in our overhead base has set us up to meet our strategic growth objectives.

The Group had a put and call option arrangement to purchase its 50% joint venture partner's share in CLDL, a company that owns the former Tesco's headquarters site in Cheshunt, Hertfordshire. Certain conditions were attached to the options which needed to be met in order for either side of the option to be exercised. Taking into account the Group's present ability to exercise the option, the Group considered that together the 50% direct holding and the put and call option gave the Group control over the company from 6 June 2019, and consequently consolidated 100% of CLDL from this date. On 22 September 2019, the Group exercised its option and the related liability of £13.7m is included within other creditors as at the period end date and was settled on 25 October 2019. On 30 September 2019 the Group also entered into a contract with a third party to transfer its existing 50% beneficial interest in the company. The gain recognised on disposal was £12.6m.

Finance costs

The Group's finance costs comprise mainly of interest on land and development finance, non-utilisation fees, interest rolled up on the Zero Dividend Preference shares (ZDPs) and amortisation of arrangement fees. Interest on development funding is capitalised where required by IAS 23.

Total finance costs increased from £6.2m to £10.7m; a reflection of increased borrowings to fund the rise in work in progress from £136.2m to £192.4m and financing CLDL to repay our £15m of the loan of £16.8m from our former joint venture partner. Interest on bank and non-bank borrowings amounted to £7.5m (year ended 30 June 2018: £4.4m), amortised loan arrangement and other fees was £1.7m (year ended 30 June 2018: £0.7m) and the finance cost relating to the ZDPs was £1.5m (year ended 30 June 2018: £1.1m). The funding costs capitalised into work in progress was £1.3m (year ended 30 June 2018: £1.1m).

Taxation

The Group is domiciled in the United Kingdom and does not make use of any tax structure that is not domiciled in the United Kingdom.

The total tax charge of £0.4m combines a current taxation charge of £1.1m and a deferred tax credit of £0.7m and represents an effective rate of 1.6% of the profit before tax. The current corporation tax rate is 19% and the principal difference arises due to the gain on disposal of our 50% beneficial interest in CLDL being exempt from corporation tax, as an over provision in prior periods and a deferred tax credit arising due to capital losses brought forward. Refer to note 12 in the Financial Statements for more information.

Earnings per share and dividends

Basic earnings per share increased to 11.79p (year ended 30 June 2018: 7.64p) signifying the increase in operating profit during the period. The weighted average number of shares in issue during the period was 205.3m (year ended 30 June 2018: 201.6m).

Based on the strong results for the period ended 30 September 2019, the Board has declared a second interim dividend of 2.25p per ordinary share. Together with the first interim dividend of 0.85p paid on 3 July 2019, this makes a total dividend of 3.10p for the period (year ended 30 June 2018: 2.20p). A final dividend for the period ended 30 September 2019 will not be proposed. The second interim dividend is expected to be paid on 12 June 2020 to those shareholders on the register at the close of business on 21 February 2020. The ex-dividend date is 20 February 2020.

Total shareholder return

Inland Homes plc's share price has increased 31.1% over the past 27 months (from 60.25p per share at 30 June 2017 to 79.00p per share at 30 September 2019) and 17.0% over the 15 months to 30 September 2019 (from 67.50p per share at 30 June 2018 to 79.00p per share at 30 September 2019). Combined with dividends paid during the period of 2.4p per share, the share price movement has resulted in a total shareholder return of 20.6% for the 15-month period to 30 September 2019. This compares to a 19.4% fall in the FTSE AIM All Share index.

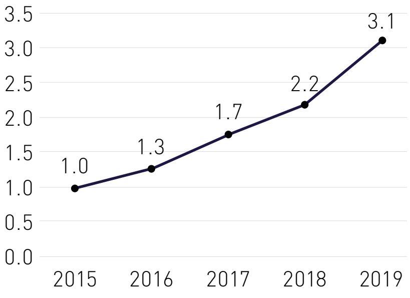
Balance sheet

Net assets at 30 September 2019 were £162.2m (30 June 2018: £142.4m), an increase of 13.9%, mainly due to retained earnings. This equates to net assets per share of 78.8p (30 June 2018: 75.3p). The EPRA net asset value per share at 30 September 2019 was 113.69p (30 June 2018: 102.28p). The EPRA NAV per share increased during the period due to the profit after tax for the period and the planning consents received for the Group's two major projects at Wilton Park in Beaconsfield, Buckinghamshire and Cheshunt Lakeside in Cheshunt, Hertfordshire. Details of these projects are set out in the Operations Review on pages 34 to 41.

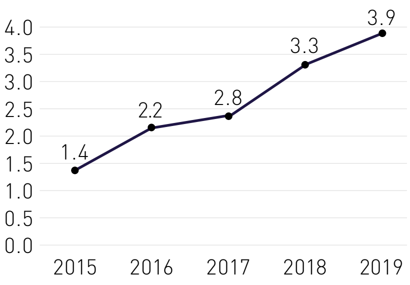
Finance Director's review

CONTINUED

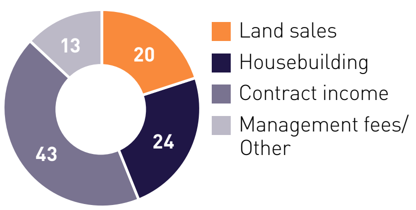
Dividend growth (p)



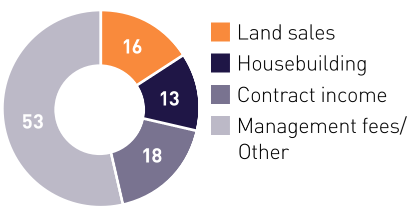
Dividend yield (%)



Revenue by segment (%)



Gross profit by segment (%)



Net asset value and net asset value per share (unaudited)

The calculation of EPRA net asset value is set out below:

	Net asset value per share	
	At 30 September 2019 '000	At 30 June 2018 '000
Shares in issue	**207,366**	204,551
Less shares held in:		
– EBT	**(1,627)**	(1,627)
– Treasury	**–**	(825)
For use in basic measures	**205,739**	202,099
Dilutive effect of:		
– share options	**2,018**	1,837
– deferred bonus shares	**1,527**	1,823
– growth shares	**2,285**	5,100
For use in diluted measures	**211,569**	210,859

	£m	Undiluted p	Diluted p
At 30 September 2019			
Net assets attributable to equity shareholders	**162.2**	**78.84**	**76.67**
Adjustment for:			
Revaluation of projects	**69.7**		
Deferred tax on investment property revaluation	**2.0**		
EPRA net asset value	**233.9**	**113.69**	**110.55**
Adjustment for:			
Deferred tax on investment property revaluation	**(2.0)**		
Deferred tax on project revaluation	**(11.8)**		
EPRA triple net asset value	**220.1**	**106.98**	**104.03**
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

The Directors are required to make an assessment of the fair value of its trading properties when determining EPRA NAV. For undeveloped sites (both owned and options) a residual valuation is carried out to determine the anticipated value of the site with planning. This is then subject to a discount ranging between 0% and 80% to reflect the planning prognosis of the relevant site.

There is not a ready market for sites where construction has commenced. The Directors have therefore assumed that fair value equates to carrying value for such sites unless the site is forecast to make a margin in excess of 16% in which case a fair value adjustment is made to demonstrate the residual land value uplift.

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.

During the period ended 30 September 2019, the Group purchased 200,000 shares. On 24 October 2018, 849,241 shares were transferred from the treasury reserve to satisfy employee share options exercised within the terms of the Company's share option scheme. In several transactions during August and September 2019, the Group sold 175,759 shares. At 30 September 2019, no shares were held in treasury.

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. On 19 July 2018, Stephen Wicks transferred 248 vested LTIP shares to the Company in exchange for the issue of 2,814,924 shares in the Company as referred to in the Remuneration Committee report on pages 59 to 63.

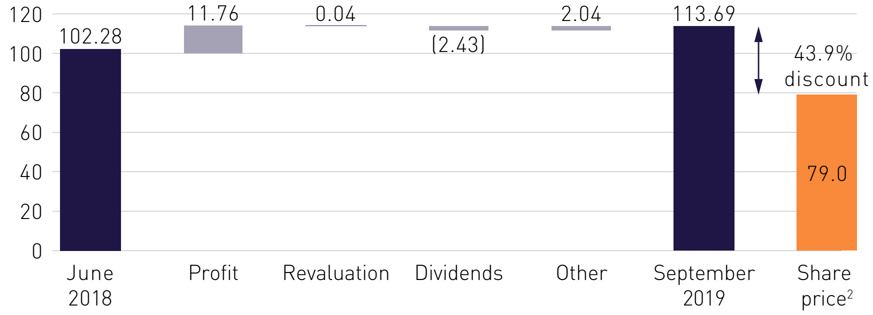
As at 30 September 2019, the Group's investment properties comprised principally of 86 existing residential properties at Wilton Park. The Board intends to sell some these properties in the open market. Hence, £4.7m has been transferred to Assets Held for Sale within current assets and land valued at £6.3m has been transferred to work in progress.

Investment in joint ventures has increased from £0.4m to £8.0m, primarily due to the net effect of the deemed exercise of our call option to acquire our former joint venture partner's share in CLDL and the transfer of our 50% beneficial interest in the company as explained above. Similarly, other receivables due after more than one year of £21.8m have increased from £11.0m, predominantly as a result of the transfer of our 50% beneficial interest in CLDL on deferred terms.

Inventories are the most significant part of the Group's net assets, and increased from £136.2m to £192.4m. This has been driven by the growth in the land bank from 6,870 plots to 7,796 plots as well as an increase in work in progress on large-scale apartment developments under construction.

The Group is owed £32.8m from CLDL which represents the major part of amounts due from joint ventures. The site at Cheshunt Lakeside secured planning consent for 1,253 residential plots and 52,797sqft of commercial and educational space during the period and the joint venture has commenced pre-construction works in preparation of the development of the site.

EPRA NAV[1] (p)



[1] On an undiluted basis.
[2] At 30 September 2019.

Net debt and borrowings

The Group funds its activities through a combination of equity and debt. Due to the increase in our land bank, work in progress and financing CLDL to repay £15.0m of our former joint venture partner's loan, net debt has risen to £152.3m, (year ended 30 June 2018: £79.7m) representing net gearing of 93.9% (year ended 30 June 2018: 56.0%). Net gearing based on EPRA net assets of £233.9m (year ended 30 June 2018: £206.7m) equates to 65.1% (year ended 30 June 2018: 38.6%). Our cash balances at 30 September 2019 stood at £10.9m (year ended 30 June 2018: £40.4m).

In March 2019, we agreed a revolving credit facility of £65.0m (including an accordion of £20.0m) for a term of four years, secured against some of our developments under construction. As at the end of the period, we had drawn down £30.2m of this facility leaving potential headroom of £34.8m. In August 2018, we extended the maturity date of £18.4m ZDP shares by five years to 10 April 2024 and during the period ended 30 September 2019 we issued a further 3,987,000 ZDP shares raising a gross sum of £6.2m. The Group also has a secured revolving credit facility of £17.2m from a Fund to finance sites with and without planning consent. This facility, which was fully drawn at 30 September 2019, expires in August 2020 and having had discussions with the Fund it is the Board's intention to renew the facility.

A revolving facility of £11.5m from Homes England is funding our development of 457 homes and 64,000sqft of commercial space at Chapel Riverside in Southampton. Phases one and two of this development have been completed with construction on phase three well underway. As at 30 September 2019, we had drawn down £7.3m of this facility.

A £24.0m revolving cash flow facility was in place to fund the construction of 239 homes at Lily's Walk in High Wycombe. During the period ended 30 September 2019, we completed the sale of 18 homes with forward sales of £6.7m at the development. £23.6m of the facility had been drawn down at the period end.

Of the Group's total borrowing facilities of £183.8m, 26% expire within one year from the balance sheet date.

In December 2019, the Group renewed a land facility of £26.75m secured against its site at Wilton Park in Beaconsfield for a period of 12 months with stepped reductions to suit our plans.

On 30 January 2020, the Group arranged a new debt facility to be available from May 2020 with a term of 12 months from drawdown. This gives the Group increased flexibility if required and safeguards the Group against any delays in land sales.

The Group remains within the development and corporate covenants stated within its borrowing facilities and maintains excellent relationships with its lenders.

The sale of the large-scale apartment developments as well as engaging in new land opportunities with partners; securing discount to market value options on strategic sites and expanding the partnership housing activity will lead to a reduction in the Group's net borrowings over the next 12 months. This will enable Inland Homes to grow with a reduced level of risk and less of its own equity being utilised.

Nishith Malde
Group Finance Director
30 January 2020

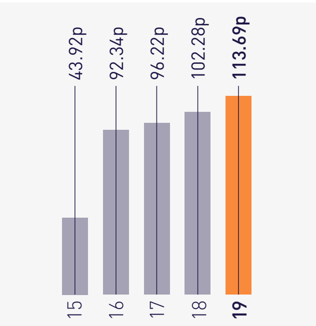
Our KPIs

Financial KPIs

1.

EPRA net asset value per share

113.69p



Definition

EPRA Net Asset Value per share is EPRA NAV divided by number of shares at the period end. The use of EPRA methodology reveals how much 'hidden' value is held within inventories. A reconciliation to IFRS NAV per share is outlined on page 26.

Performance

EPRA Net Asset Value increased from 102.28p to 113.69p principally as a result of profits after tax for the period and a rise in the underlying asset values of Wilton Park in Beaconsfield and Cheshunt Lakeside in Cheshunt.

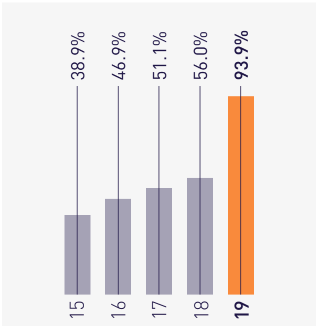
Link to strategy

Continue the key activity of identifying the right sites and securing planning.

2.

Net gearing

93.9%



Definition

Net debt is calculated as a proportion of borrowings less cash to total equity attributable to shareholders. Gearing measures our exposure to debt risk and indicates the efficiency of the Group's capital structure.

Performance

In preparation for future growth, the Group's overhead base has expanded. This, alongside an increase in the land bank and work in progress has resulted in a rise in the net debt position for the reporting period. We have a clear strategy to reduce the Group's borrowings which includes the sale of large-scale apartment developments, securing new land opportunities with partners and expanding the partnership housing activity.

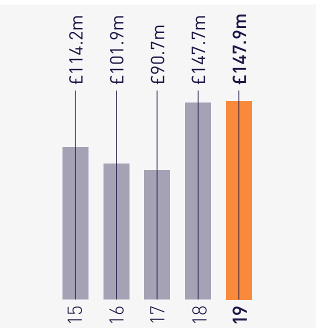
Link to strategy

Continue to secure more planning consents and acquire sites with excellent potential to add value.

3.

Revenue

£147.9m



Definition

Revenue combines the major income streams of the Group; including land sales; sale of residential homes; contract income; rental income; and management fees.

Performance

Revenue increased from £147.7m for the year ended 30 June 2018 to £147.9m for the 15-month period to 30 September 2019. The revenue mix has changed as we have seen land sales, management fee income and contract income form a larger part of the Group's revenue.

We have seen a reduced number of private homes being completed during the period due to the nature of our construction programme on a number of large-scale apartment developments, where legal completions can only be achieved on handover of completed blocks.

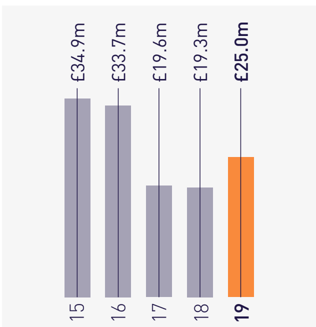
Link to strategy

Revenue is a key measure of the growth the Group has delivered.

4.

Profit before tax

£25.0m



Definition

Profit before tax gives us an indication of the underlying performance of the Group across all our activities.

Performance

The profit mix has changed during the 15-month reporting period. The Group has seen a significant increase in management fee income.

The Group exercised a put and call option to acquire the remaining 50% of its joint venture partner of Cheshunt Lakeside Developments Limited. The sale of 50% of its beneficial interest in the Company resulted in a recognition of £12.6m profit.

Link to strategy

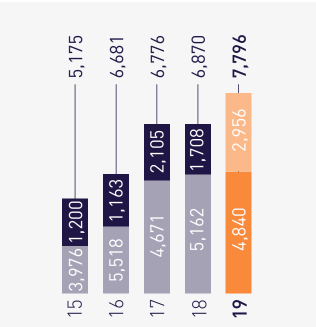
In the coming year, we will continue to move towards our target of building more homes, finding the right land opportunities and securing planning permission on these sites.

Non-financial KPIs

5.

Number of plots with or without planning consent

7,796



Definition
The number of plots owned or controlled by the Group with the potential for homes to be built.

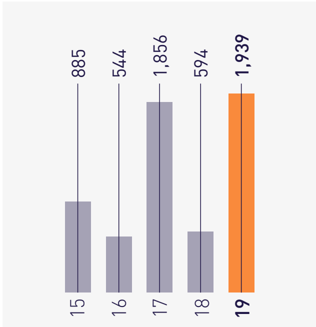
Performance
Our land bank now stands at 7,796 plots, including 2,956 with planning permission or resolution to grant planning permission. The choices within our business model enable us to realise the value in our land bank and maximise returns.

Link to strategy
In line with our strategic priorities, we now have a land bank with a record number of plots and we own more plots with planning than at any time before. Identifying the right land opportunities is still the key to our success.

6.

Planning permissions gained during the period

1,939



Definition
Plots gained with planning permission or a resolution to grant planning permission.

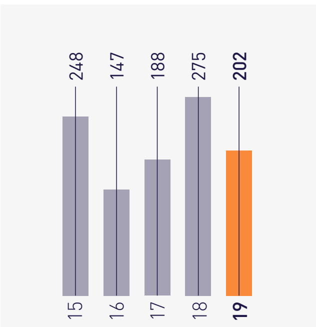
Performance
The Group gained planning permission or a resolution to grant planning permission on 1,939 plots during the 15-month period.

Link to strategy
Continue policy of selling appropriate plots when we have secured planning permission.

7.

Private home sales

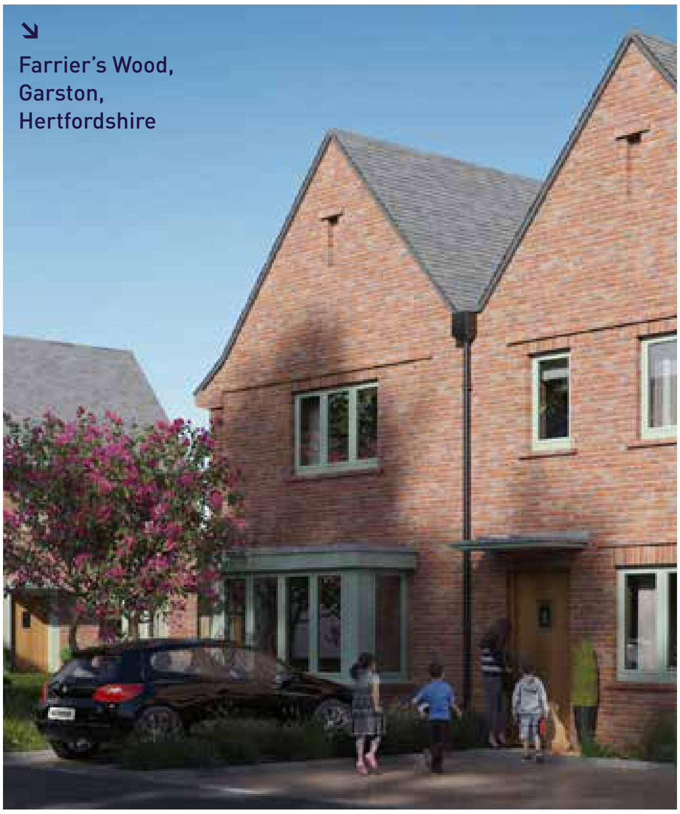
202



Definition
The sale of the number of homes where contracts have been legally completed in the financial year, including those within our joint ventures.

Performance
During the period ended 30 September 2019, the Group sold 130 private homes and a further 72 within our joint ventures.

Link to strategy
Focus on building private sale homes which meet the needs of the market.



Farrier's Wood,
Garston,
Hertfordshire

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 Board is ultimately accountable for effective risk management within the Group. Our chosen governance code, the QCA Corporate Governance Code, requires us to embed an effective risk management framework which considers both opportunities and threats throughout the organisation. In order to better meet these requirements, the Board has reviewed its approach to risk management and as a result, implemented a revised framework.

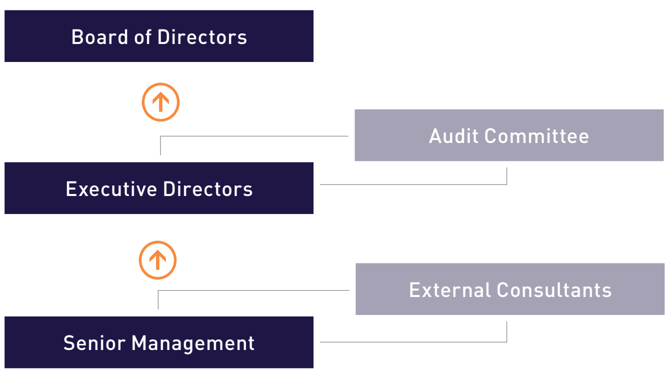
The Group's approach to risk management and assurance is to maintain a balance between risk and reward that achieves our strategic objectives without exposing the Group to unacceptable levels of risk. Our risk and assurance objectives are to:

- reduce the level of uncertainty associated with achieving Inland Homes' strategic objectives;
- ensure significant risks are identified, measure, managed, monitored and reported in a consistent and effective manner across the Group using appropriate risk management methodologies; and
- embed a culture of risk awareness and control consciousness in all business activities.

Our aim is to reduce negative uncertainty, so far as reasonably possible, while giving the Group the ability to explore new opportunities.

Risk identification and management is built into every aspect of the Group's day-to-day operational activities, ranging from the appraisal of new sites, assessment of the prospects of planning success, building safely, and selling effectively to achieve long-term success through the property market cycle.

Our three-tier approach to risk management ensures that we record and map all risks across the Group. We keep strategic and operational risk registers which are reviewed regularly. These maps act as tools for improving risk mitigation and can give assurance that risks are being managed effectively.



We define risk as the effect of uncertainty on our business and its objectives; the consequences of which might be positive, negative or a deviation from the expected. Our three-tier approach to risk management assesses:

- strategic risks – those which may impact the achievement of the Group's strategic objectives;
- operational risks – those which relate to the Group's day-to-day operational activities; and
- project risks – those which will impact the success of a specific project or development.

Our risk appetite is defined by the level of risk we are willing to take in order to execute a strategy or deliver on a project. This is determined at a macro level by the impact in terms of cost and reputational damage a project may have on the Group. At this level, we expect controls to be clearly set out and implemented and kept under review. At an operational or micro level, our risk appetite is determined by staff and managers weighing the costs of various acts of mitigation against the likely impact of risks crystallising. Controls may be formal or informal depending on need and appropriateness.

Our risk appetite at any time is also influenced by the external environment (legal, economic, political), the Group's perceived internal strengths and weaknesses and the Group's financial capacity.

Risk is identified at a strategic, operational or project level. The identified risks are scored on the basis of the effectiveness of existing mitigation controls and also on any additional improvement controls which may be implemented to reduce the impact and probability of the risk crystallising. As part of the risk evaluation, consideration is given on whether to treat, tolerate, transfer or terminate the risk.

Treat – manage the risk through control measures that influence the impact and/or probability to an acceptable level

Tolerate – accept the risk as inherent to the activity/project being delivered and that no further controls can be implemented

Transfer – move to another organisation through a contractual agreement, i.e. insurance cover

Terminate – acknowledge the risk cannot be managed to an acceptable level and either cease the whole or part of the activity, development of project

Once evaluated, all key risks are included on the relevant risk register together with a clear note of any existing mitigation.

We accept that some risk is inevitable, and that perfect risk avoidance is neither possible, nor necessarily desirable. Equally, we believe that risks which relate to health and safety, our financial viability and our reputation must always be actively managed and mitigated to minimise the probability of them crystallising.

Our approach to managing risk can be summed up as pragmatic and measured. The outcomes that we seek are personal safety, financial security and an efficient professional business.

Risk	Potential impact	Mitigation	Rating	Change since last year
01 **Economic uncertainty** Changing market conditions (not just a downturn), whether nationally influenced by Brexit negotiations or local changes in sentiment and investment decisions, impact our ability to implement our strategic objectives and the resultant value of our portfolio	• Pressure on sales volumes and prices resulting from consumer confidence and affordability due to: – higher unemployment or fear of unemployment; – ongoing economic uncertainty; and – weak real wage growth and reduced disposable income. • Inflation due to foreign exchange • Business uncertainty due to policy changes • Portfolio valuation	• Monitoring impact of Brexit discussions and potential outcomes • Economic environment considered before committing to significant transactions or events such as land purchases and sales launches • Refined strategic priorities to maximise market opportunities • Forward sales secured through partnership contracts giving greater certainty over cash flows	HIGH	→
02 **Government policy and planning regulation** Potential changes in Government policy such as changes to the planning system, changes in tax regime, or amendment of the Help to Buy scheme could have an adverse effect on revenues, margins and asset values	• Risk of delay or refused planning applications • Uncertainty around design solutions, delays in obtaining consents • Programmes and commencement on sites disrupted • Increased environmental and other taxes due to excessive planning conditions (CIL and Section 106)	• Considerable in-house technical and planning expertise • Strong relationships maintained with local authorities, planning officers and local communities to better understand underlying policy and planning prospects • Regularly review prospects of the strategic land portfolio, with processes and appraisals in place to minimise disruption • Focus on acquiring development sites already identified through local authority Local Plans	MEDIUM/ HIGH	→
03 **Inability to source suitable land** An inadequate supply of suitable land or the inability to convert strategic land into viable planning permissions	• Portfolio depletion • Impact to in-house construction arm/self-build function • Operational start dates delayed on site leading to over capacity in resources • Fewer longer-term sites to replenish the portfolio at good margins	• Highly experienced Land and Planning teams employed with strong track record of securing sites and planning consents • Targeted approach to land acquisitions • Local insight and established relationships with vendors give us a competitive edge • All potential land acquisitions are subject to formal appraisal process to ensure viability	LOW	→

Our principal risks

CONTINUED

Risk	Potential impact	Mitigation	Rating	Change since last year
04 **Availability of subcontractors and suppliers** Continued increase in housing production and the UK's departure from the EU may further strain availability of skilled subcontractors	• Build programme and completion delays leading to build cost inflation • Ineffective and stretched labour force could impact business performance, build quality and shareholder confidence	• In-house construction arm means we can employ subcontractors directly • Actively seek to establish and maintain long-term supplier and subcontractor partnerships • Close monitoring of build programmes to ensure labour requirements managed effectively • Maintain regular contact with sub-contractors and provide high-level and site-specific programme information to aid with demand planning	MEDIUM	
05 **Rising cost and availability of materials** Rising production levels across the industry puts pressure on material supply chain. Currency movements as the Brexit process continues may increase cost of key materials	• Shortage or increase cost of materials could delay construction • Quality of product impacted due to shortage of material or increased cost	• Strong relationships with supply chain to ensure consistency of supply and cost efficiency • Engaging in ongoing dialogue with key suppliers to understand critical supply chain risks • Close monitoring of build programme to ensure we react quickly to any supply chain issues	HIGH Due to cost inflation on materials	
06 **Failure to effectively manage major projects** Lack of project oversight could lead to mismanagement of a major project	• Construction costs not adequately controlled • Reduced quality of product • Health and safety issues • Reputational damage	• Experienced Executive-level leadership • Extensive investment in systems and personnel to ensure tight controls and project oversight on developments • Regular management and project team meetings	MEDIUM	NEW RISK
07 **Health and safety** A significant health and safety event resulting in a fatality, serious injury or a dangerous situation	• Immediate personal injury or damage to property • Reputational damage • Prosecution /imprisonment/ significant fines • Remediation or legal costs • Programme delays and inability to meet forecast figures/market expectation	• Strong safety culture driven by Directors and senior staff • Experienced Health and Safety team reinforces safety culture • Annual health and safety workshops for all staff • Safety focus at subcontractor forums	MEDIUM	

Risk	Potential impact	Mitigation	Rating	Change since last year
08 **People** Inability to attract and retain high-calibre employees	• Inability to meet strategic objectives • Pressured workloads where teams are under resourced • Over reliance on consultants and agency staff • Inefficiencies and delays to operations resulting in increased costs	• Providing quality training and professional development opportunities, including through our graduate and apprenticeship programmes • Dedicated HR team that monitors pay structure and market trends to ensure we remain competitive • Annual employee engagement survey to be implemented in 2020 to identify areas for improvement • Development of preferred supplier list of specialist recruitment firms	LOW	→
09 **Solvency and liquidity** Cash generation for the Group is central to our strategy; insufficient cash headroom limits our ability to be agile in response to changes in the economic environment and to future development opportunities	• Liquidity • Covenant compliance • Availability of development funding	• Regular review at board level of detailed cash flow forecasts which are subject to sensitivity analysis • Strong relationships with financial institutions through regular engagement • Sufficient facilities in place to allow us to take advantage of land opportunities • Asset disposals to reduce net borrowings	HIGH Due to increase in gearing	↑
10 **Cyber and business continuity** Cyber security risks such as data breaches, hacking and failure of the Group's IT security systems leading to the loss of financial, market sensitive, competitive or other critical data	• Financial penalties and sanctions • Reputational damage • Loss of personal and/or business information • Outage of IT systems leading to operational disruption • Phishing attacks and ransom demands	• Group has a fully tested disaster recovery system which is tested annually by a third-party supplier • Boundary firewall at each location • Encryption and two-factor authentication in place • Anti-virus software on all devices	MEDIUM	→

OPERATIONS REVIEW

> "With the investment in staffing and systems already made, we are now well set to increase the scale and breadth of our activity in the year ahead."
>
> **Gary Skinner**
> **Group Managing Director**

The business is performing well on all levels. We have managed to continue to grow the business at the same time as making significant investment in staffing and systems. We have also improved the quality of our building, and raised satisfaction levels with our customers and our partners. In this way, we have created a platform for future growth. With this momentum and our new planning permissions, we are now well set to increase the scale and breadth of our activity in the year ahead.

Land activity

The gross development value of our entire land bank is now £2.4bn, and its size has grown from 6,870 plots to a record 7,796 plots; 2,956 with planning consent. The Group has recently commenced to procure land opportunities on behalf of third-party investors and engage in planning and management contracts which enables it to extract a significant part of the added value through management fees. This activity is light on the Group's capital and hence, proving to be very lucrative. Our strategic land portfolio, where most of the plots are controlled by discount-to-market-value options, has increased significantly and now comprises 3,523 plots. We are maintaining a good success rate in getting sites allocated for development in local plans.

Our strategic land bank now totals 595 acres, with the potential for approximately 3,018 houses and 505 apartments. We will either sell these sites to other developers or feed them into our own growing housebuilding operations.

Demand for consented housebuilding land remains strong, with 577 plots sold in the period. Of these, we sold 207 to other housebuilders and 370 to housing associations. The proceeds from these plot sales provides cash to fund our operations.

In a major milestone for the business, following five years of intense work, we received planning consent for both our flagship 100-acre site, Wilton Park in Beaconsfield, Buckinghamshire, and our largest-ever scheme, Cheshunt Lakeside in Cheshunt, Hertfordshire.

Wilton Park has an estimated gross development value of £288m. We have secured an initial consent for 304 new homes plus 46 retained Service Family Accommodation dwellings and 18,622sqft of commercial space. There is also a draft allocation for further development on the site which, if adopted, could provide a further 250 homes and 199,132sqft of commercial space.

The Cheshunt Lakeside masterplan for 1,725 homes and 204,514sqft of commercial space will be one of the largest brownfield developments in the south-east. The Group owns and controls 1,253 plots on this site, with as estimated gross development value of £429m.

Together these two sites will provide more than 1,500 homes, leading to a respectable increase in the EPRA value of the Group's assets.

In September 2019, we submitted a detailed planning application as part of our management agreement with the landowner for more than 500 homes at Hillingdon Gardens, a six-acre site formerly known as the Master Brewer Hotel in Hillingdon. The detailed plans will help transform the former commercial site to create a residentially-led, mixed-use neighbourhood, with a network of pedestrianised areas, landscaped public squares and extensive green spaces to create a diverse garden quarter.

Build

The construction arm of the Group has grown rapidly since 2016, in line with our strategic priorities and we are in a good position for the coming years. We now have 12 development schemes under construction, with 892 for private sale and 921 on behalf of partners. This compares to 682 homes at the end of the previous reporting period.

The growth is a result of having established an experienced and skilled in-house construction and customer care team. This gives us greater control over each project, through purchasing materials and directly recruiting subcontractors, to create high-quality, affordable homes. The growth of our construction capability has enabled us to identify further improvements in our systems and processes, and to provide first-class customer service.

Partner

We are aiming to increase our share of this growing market and our partnership housing equivalent units have more than quadrupled this reporting period. Recently, we have secured a partnership housing contract worth £5.4m, for 45 homes with Watford Community Housing Trust and we expect to secure further significant contracts during the new financial year.

Rosewood Housing

Our affordable housing subsidiary, Rosewood Housing, finalised its second deal in September 2019, agreeing to acquire the affordable housing at a new-homes development in Tring.

The scheme is the redevelopment of the former St Francis School site and offers 34 new homes, 12 of which are affordable homes under a Section 106 agreement. We will offer these 12 homes as a mix of affordable rent and shared ownership. The homes are already under construction, with residents expected to move in from March 2020.

Sales

Our homes continue to sell well, with an average selling price of £250,000 over the 15-month reporting period. We experienced an average sales rate per active site over the past 15 months of 0.73 homes a week. This demand is underpinned by a shortage of new homes, the ongoing availability of Help to Buy and low interest rates.

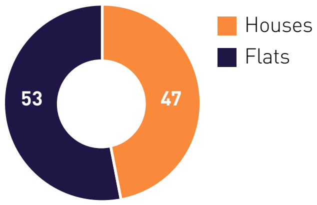
The forward order book, at the period end, for private sale stands at £26.0m. In addition, we have forward-sold the hotel under construction as part of the Wessex development in Bournemouth for £13.3m.

As expected, private housing completions (including joint ventures) fell to 202 over the 15-month reporting period (year ended 30 June 2018: 275). This is due to the significant number of large-scale apartment developments we have under construction, where legal completions can only be achieved on handover of completed blocks.

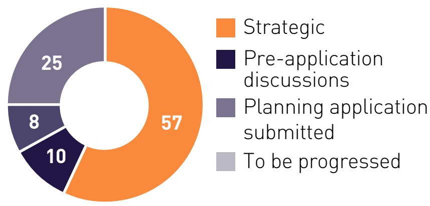
Customer demand for our product will continue to drive the type of homes we deliver. This period we have seen buyer demand for houses outstripping demand for apartments. As a result, where it is financially and operationally viable to do so, we will focus on the delivery of housing sites in the year ahead.

Gary Skinner
Group Managing Director
30 January 2020

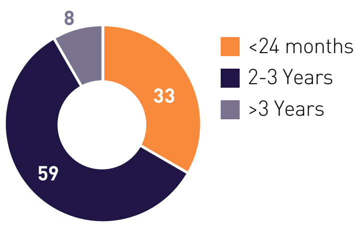
Total land bank split by type (%)



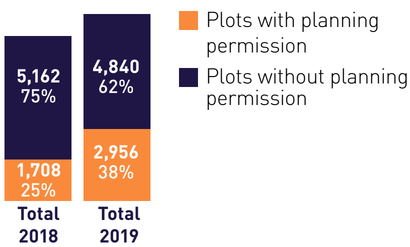
Status of planning (%)



Schemes under construction completion timescale (%)



Planning permission



ABBEY WHARF

£30m

Build contract

136

Homes including 111 shared ownership

2018/19

National Housing Awards – Best Partnership

We are working with Clarion Housing Group to complete Abbey Wharf, an affordable homes development that is helping transform Alperton in north-west London.

The development is transforming a disused industrial site into 136 new homes, of which 111 will be offered as shared ownership and the remainder available as affordable rent.

We acquired the site in 2015 and entered into a £30m partnership construction contract with Clarion in June 2017. This is the first scheme within a broader partnership agreement between the two groups. Our land assembly and acquisition skills, and the groups' combined planning expertise, is ensuring the scheme meets local needs and the borough's aspirations, and that it is commercially viable. The partnership has been open and effective from the outset and the project is ahead of schedule, with an estimated completion date of spring 2020, having been scheduled for September 2020.

As a previous light-industrial site occupied by multiple businesses, the development faced numerous complex challenges in dealing with the remediation of the land, including the removal of asbestos, rubbish and disused cars. Eighteen tenants were on an 'excluded lease' which took one-on-one discussions to resolve. As experts in brownfield site regeneration, we have been able to resolve these challenges efficiently and cost-effectively.

In its April 2019 Risk Engineering Construction Insurance Survey Report, Zurich rated risk management on site as 'excellent' stating the risk approach on site was the 'best in class management control of all present hazards'. The site was subsequently rated 44/50 in the June Considerate Constructors report.

We make exceptional efforts to ensure we keep those affected by the works informed, and show courtesy to all in what is an extremely congested location. We support initial client consultation meetings with contractor newsletters, there is no weekend work and we have created a specified route for deliveries. We have secured a predominantly local subcontractor workforce and the site has recruited local labour, exceeding local authority targets by nearly double.

Richard Cook, Group Director of Development for Clarion Housing Group commented:

"Inland Homes shares Clarion's commitment to placemaking and delivering quality, well-designed homes for our residents. During our Abbey Wharf project, Inland has continually demonstrated its ability to successfully navigate a way through the often complex development process. Working closely together we have been able to successfully resolve challenges as they have arisen, to ensure that the project stays firmly on track."

We have since completed our second partnership deal with Clarion Housing Group, in the borough of Barking and Dagenham, and additional sites are in the pipeline.

Operations review
CONTINUED

Centre Square, High Wycombe

We continue to transform 1.43 hectares of brownfield land and disused offices into an exciting new development that integrates residential, commercial, retail and leisure space.

The first phase included converting and extending Castle House, an existing office building, to create 40 studio, one and two-bedroom apartments, as well as Lily's Walk, a concrete-frame new-build construction of 239 one and two-bedroom apartments.

All units at Castle House have been reserved and there has been good demand for available apartments at Centre Square with 7 reservations, 18 exchanges and 18 completions as at 30 September 2019.

A town centre relief road, built by Inland Homes, opened in November 2019.

Centre Square completion is due in summer 2020.

Chapel Riverside, Southampton

Developed as a successful joint venture between Inland Homes and Southampton City Council, this major nine-acre regeneration project will create 457 new one, two and three-bedroom homes, many with waterside views, and 64,000sqft of commercial space.

With the initial two phases now complete, the latest phase of the waterfront development is taking shape. The sale of phase three, with 132 one, two and three-bedroom apartments, was launched in June 2019, with prices starting from £190,000.

Chapel Riverside is a prime example of our brownfield site expertise and the additional value our in-house construction team can bring. We are raising the site level and constructing a new £2.5m 210m sea wall, to protect the city. The former Town Depot left a legacy of disused buildings, contaminated ground and large surface-water tanks that need careful demolition, decontamination and relocation underground at a cost of around £5m. Our ability to manage major civil engineering works such as these, in house, gives greater cost and programme control, creating additional value for Southampton City Council.

Chapel Riverside is a six-year development, scheduled to complete by 2024. Phase three is scheduled for completion in July 2020.

Chapel Riverside case study page 20

Meridian Waterside, Southampton

On the site of the former Meridian Television Studios, Meridian Waterside is a modern waterfront neighbourhood in a prime position on the banks of the River Itchen, just minutes from Southampton city centre. The development comprises 352 one, two and three-bedroom apartments, plus 5,359sqft of commercial space.

With the flooding effects of climate change already evident along the River Itchen, the Meridian Waterside design needed careful planning and extensive consultation with Southampton City Council. It included infrastructure works that contribute to part of a new flood-defence system along the entire waterfront.

The development has been designed to integrate coherently with the existing local two-storey housing, with taller buildings positioned closer to the water, to act as a gateway to the city and make the most of the spectacular river views. We chose design and materials to complement the waterfront environment, with red facade, lap weatherboarding, timber doors and painted metal Juliet balconies.

Phases one and two, comprising 96 homes, completed in June 2018 and attention is now focused on phases three and four. Phase three, consisting of 152 one, two and three-bedroom units, was launched to the market in May 2019, with prices starting at £169,000.

We will complete the construction of phase three by the end of 2021 and the final phase in 2023.

The Wessex, Bournemouth

With a prominent location on the popular West Cliff Road, this development benefits from its close proximity to Bournemouth's iconic cliff top.

Following demolition of the former Wessex Hotel in early 2018, construction of the concrete basement car park started in September 2018 and was completed in September 2019.

Construction is now well underway on phase one, with the steel frame complete on the first building which will create a 105-room Premier Inn hotel, designed to meet the high demand for tourist accommodation in the resort.

The steel frame of phase two has also commenced, with these buildings creating 94 premium one, two and three-bedroom apartments for private sale. Finished to a high specification with designer interiors, these homes will also have secure underground parking, allowing for a large expanse of landscaped lawns and gardens.

Completion is due in spring 2021.

Abbey Wharf, Alperton

We are working with Clarion Housing Group to transform this disused industrial site into 136 new homes overlooking the Grand Union Canal. Abbey Wharf will offer 111 shared-ownership homes (with the remainder available as affordable rent), aimed at buyers currently struggling to enter the housing market.

We acquired the site in 2015 and entered into a construction contract with Clarion for £30m in the 2017-18 reporting period. Initial plans were approved for 135 units and we have secured an additional residential unit during this period.

Completion of this concrete frame construction project is expected in spring 2020, ahead of the autumn 2020 schedule.

Abbey Wharf case study page 36

Church Road, Ashford

We are working with A2Dominion on Church Road, an affordable homes development in Ashford, West London.

We sold the site to A2Dominion in June 2018 for £29.7m, with a construction contract signed for £65.1m simultaneously.

The development is transforming a disused college into 357 one and two-bedroom apartments and three-bedroom houses, plus 6,700sqft of commercial space and 4,700sqft of educational space.

The development is named after the high street. The town itself is primarily residential, forming part of the London commuter belt, with a minor station on the Waterloo to Reading line. It also benefits from being just 2.5 miles from London Heathrow Airport, and a portion of its economy relates to this.

This project is split into five blocks: three built using concrete-frame construction and two of traditional construction.

Work started in July 2018. We are on track to complete the build in summer 2022, more than a year ahead of the contract date.

Operations review
CONTINUED

Farrier's Wood, Garston

This green belt release site between Watford and Hemel Hempstead comprises 99 two, three and four-bedroom houses and one and two-bedroom apartments. Of these, 45 are offered as affordable homes. It is a 50:50 joint venture with the landowners.

We conducted thorough and meaningful consultation with the community and other stakeholders, to overcome concerns about green belt development and increased traffic. This happened at both outline and reserve matters stages and we made contributions of £60,000 to upgrade traffic lights at the top of Bucknalls Lane and the subsequent recommissioning of the other traffic lights in the area.

Construction started in May 2018, and the first phase is now fully occupied, with 80 visitors on the launch weekend. Phases two, three and four are now under construction, with completion expected in spring 2020.

We signed agreements totalling £7.68m with Watford Community Housing Trust in September 2019 for the 45 affordable homes on the development. We have created these homes as 'blind tenure', meaning they are designed to blend in with rest of the development.

Randalls, Uxbridge

We are developing 58 one and two-bedroom apartments in Uxbridge town centre on the site of the former Randalls department store.

We are converting the Grade II listed building into eight apartments and adding an additional storey for a further six apartments, as well as creating commercial space on the ground floor. We will also convert the adjacent redundant fire station into three duplex apartments.

The new-build elements of this project are reinforced concrete frames, complemented by cladding in keeping with the existing Grade II listed aspects of the building.

As a listed building, the site brings numerous challenges in dealing with the existing facades and structure. The store has had a complete refurbishment of its existing façade, with the glazed ceramics, windows and clock tower all being restored to their former glory.

The old fire station is undergoing a transformation reminiscent of its original purpose, with new faux fire station doors and a new sign and street lamp installed.

The three new-build blocks will create complementary additions to the site footprint, with contrasting geometry, and materials of brick and ceramic cladding being sympathetic to the existing building.

Completion is scheduled for mid-2020.

Merrielands, Dagenham

The second partnership scheme with Clarion Housing Group will see the creation of 325 apartments, commercial units and associated landscape works.

The land was previously used by Ford for car manufacturing and the whole area is undergoing something of an overhaul, with many other projects under construction. The building is of concrete frame construction with metsec infills and brick cladding.

Clarion is responsible for managing the rented accommodation, and sales of the shared ownership apartments.

Gardiners Park Village, Basildon

The first phase of this major residential project was a joint venture with the Anderson Group and is set to transform the area to the east of Basildon town centre.

These beautiful and stylish houses are positioned not only within a short commuting distance of the City of London and Docklands, but have the added benefit of ready access to a multitude of schools, shopping and leisure facilities in the immediate vicinity.

The Anderson Group is constructing phase two of the development and Inland Homes is undertaking the sales and marketing of the completed units. Phase one comprised 43 two, three and four-bedroom houses and one and two-bedroom apartments.

The construction of a further 33 two and three-bedroom homes as part of phase two works commenced in November 2018 and is expected to complete by the end of March 2020.

Venue (formerly Exclusive House), Maidenhead

Exclusive House, popularly referred to as the Showboat, was a nightclub in the 1930s and is famed locally for the swimming and cabaret it used to offer.

Also referred to as the 'Palm Beach of Maidenhead', the original building was claimed to have been used by American servicemen in 1942 and then as a factory to make Spitfire wings.

The site remained in light industrial use until August 2016. Renamed Venue in a nod to its history, the development is a collection of 39 high specification one and two-bedroom apartments. The build is of timber frame over a concrete podium, with completion expected in May 2020.

The marketing suite is targeted for an opening summer 2020.

Jasmine Park, 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 open in October 2018. The first completions were achieved in January 2019 and by the end of the reporting period, completions had been achieved on more than 50% of homes within the development.

Overall build completion is scheduled for March 2020.

Social and environmental review

> This year, we have maintained a significant growth trajectory while investing heavily in high-quality staff and systems, at the same time as improving the quality of our building work and increasing customer and partner satisfaction.”

Our principles inform every aspect of our business operations and decision making.

Safety first
We do not compromise on safety

Lasting legacy
Our ambitious developments combine quality, value and sustainability to create a lasting legacy

Our biggest asset
We attract talented people, give them responsibility, and successfully retain experienced employees, all of which provide us with a competitive edge

Stronger together
We value our supply chain partners, recognising we are stronger together

Stakeholder engagement

Stakeholder	Why we engage?	Ways we engage
Customers	Ensuring customers have a positive experience increases the likelihood of repeat custom, third-party endorsement and project partnerships	• Regional Sales and Marketing Managers provide assistance and support through the buying process • Dedicated customer service mailbox and complaints resolution process in place
Colleagues	Our employees are our greatest asset and we attract and retain talent to give us a competitive edge	• Extensive training opportunities • Internal communications activities, including social events, site visits, business updates • Annual satisfaction survey
Investors	Engaged investors will help us deliver on our strategy and are more likely to invest more in the future	• Annual Report • Annual General Meeting • Market announcements
Communities	We engage in meaningful two-way dialogue throughout the development process to ensure we understand the needs of the communities in which we operate	• Community forums and information sessions • Project newsletters • Website and social media updates
Housing associations	Effective engagement helps ensure continued demand from housing associations for our turnkey product	• One-on-one engagement • Proven track record of turnkey project delivery
Supply chain	The supply chain supports our business and we engage with efficiency and transparency to build effective relationships	• Subcontractor Conference • One-on-one engagement
Developers	We sell land with planning permission to other developers having resolved approval barriers before sale	• One-on-one engagement • Liaison via agents
Local government	We build constructive relationships with local government to support our business activities	• One-on-one engagement

Safety

Making no compromises on safety is one of our key principles. The safety of our staff, contractors and the communities we operate in is our utmost priority.

This year the Group achieved 2.5 million hours worked with no reportable incidents and currently has an Accident Frequency Rate (AFR) of 0.12.

The safety culture is driven by strong leadership from the Directors and senior staff. Project Managers and members of the Operations team all provide input to developing and improving standards on site, and everyone is empowered to intervene to reduce risk and prevent injury or harm.

The Group has recruited a highly experienced Health and Safety team that reinforces the safety culture throughout the business. Engagement with the supply chain is a priority to ensure the highest standards of safety performance across all projects and sites.

We recognise that as our construction arm grows, so does the volume of high-risk activities. Therefore we have introduced annual health and safety workshops, with the first held in January 2019 and our second in January 2020. These workshops provide the opportunity to refocus minds for the year ahead.

Our emphasis on high safety standards from the start of each project filters through to our supply chain and encourages good safety habits from subcontractors.

Employees

As the building arm of the business grows, so do employee numbers, with 161 employees at the end of the year, compared to 105 in 2018. Most of the roles are technical and site-based although support staff roles have also increased. We continue to focus on maintaining the quality and strengths of the team.

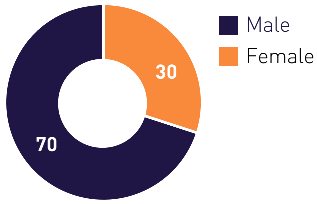
Attracting new talent and retaining experience gives us a competitive edge. We offer competitive salary and benefit packages, and extensive training opportunities, providing an average of 4.45 days training per employee over the reporting period. We invest in employee health and wellbeing as a priority and recently launched a new no-cost benefit plan. This enables our staff to claim back the cost of everyday health and wellbeing needs, including dental, optical and physiotherapy expenses. It also provides access to round-the-clock confidential support, either by phone or face-to-face.

To accommodate the increase in staff numbers, in May 2019 we moved to a new head office, in Beaconsfield. Working with appropriate specialists, we have created an environment that supports the responsive nature of the Company and showcases our ability to create high-quality, sustainable spaces. Importantly, we have designed the office to accommodate our growth. Staff feedback has been extremely positive and we look forward to working in our new home for many years.

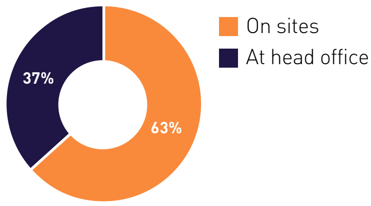
161

Staff at 30 September 2019 (30 June 2018: 105)

Gender diversity



Location



↓
St Michael's C of E Primary School visit The Wessex

Social and environmental review

CONTINUED

> Fantastic ethos which is visible through every site I've had the pleasure to work with them at!"

Delegate
Subcontractor conference delegate

This year we also opened a regional office in Cheshunt, in one of the existing buildings on our Cheshunt Lakeside development. We use the office primarily for members of the project team, but can also accommodate additional staff, in line with our flexible working ethos.

We work hard to maintain a family style environment, as we feel this is what has helped us grow the business and is what makes us uniquely Inland. Staff communication continues to be a priority and we have introduced several engagement measures to build on the introduction of our employee intranet last year.

This includes 'Meet the Executive' breakfasts for all new starters, project updates, site visits for head-office-based staff and regular staff updates from the Chief Executive. Staff also enjoy a number of social activities including 'Bring Your Dog to Work' days, summer and Christmas parties and charity fundraising events, which boost engagement and foster inclusion.

In the coming year, we will run a survey to help understand how employees feel about our culture and we will use the feedback to make further improvements.

Skills shortage

According to the Chief Executive of The Federation of Master Builders, the UK industry is experiencing a serious shortage of key skills. As part of our commitment to adding lasting value through our business activities, we continue to invest in programmes that will alleviate the issues caused by this continuing labour shortage.

We recruited four new apprentices during the year, bringing the total number of apprentices in employment to eight. Most apprentices undertake a Level-4 apprenticeship training in Construction Management, taking approximately two years. The apprenticeship includes a rotation of different parts of the business, to offer an understanding of the various professions and how they link with their role. The work placements are combined with one day a week at college.

Additionally, we have entered into a formal partnership with Bucks University Technical College to give students first-hand experience of the career opportunities available in the industry. The programme involves facilitating classroom and site-based visits for students in Years 10-12. You can find more information about the partnership on page 48.

↓
Bucks University Technical College students visit Abbey Wharf

↓
Bucks Skills Show

We continue to support community initiatives that open up students' eyes to the career paths available. In October 2019 we exhibited at the Bucks Skills Show, talking to students about the rewarding and diverse career opportunities available in our industry. We have also hosted a number of school visits to our development sites, as well as work experience placements throughout the period.

For the year ahead, we have recruited an Early Talent and Skills Manager who will identify and coordinate these work experience, apprenticeship and career opportunities, working closely with education providers and other stakeholders in the communities where we operate.

Supply chain: stronger together

We know that we are 'stronger together' and we invest in our supply chain contacts.

We continue to build strong relationships with principal contractors, to improve communication and make early notification of issues easier. We provide subcontractors with advance notice of our site plans and building programmes. This helps them plan and feel confident in expanding their workforce in anticipation of our requirements. For each of our projects, we review progress and cost forecasts regularly, to ensure we minimise any impact on suppliers.

In June 2019, we held our second subcontractor conference, with more than 200 people from 120 contractors in attendance. The conference provides us with a platform to set out our requirements and expectations and, in return, for subcontractors to outline their aspirations when working with us. Feedback from those attending was exceptional.

Our procurement policy has succeeded in securing a predominantly local subcontractor workforce.

Communities

We work closely with planning authorities and manage comprehensive community engagement strategies to ensure our developments add lasting value to each locality. Our consultation process involves talking to a range of people from each community, including local authorities, property owners, businesses, schools and residents' associations. Where possible, we incorporate the feedback received into our project plans.

We contribute to local communities through more than just providing employment opportunities and new homes. We invest in parks and public open spaces, education and community buildings, and roads and other infrastructure. During the 15-month reporting period we paid £5.1m via Section 106, legal agreements and CIL payments (2018: £2.4m).

We recognise that construction works can disrupt and inconvenience communities, and we work hard to lessen our impact. Operating in what are often congested areas, we develop and implement comprehensive traffic management plans across our sites to manage activities effectively. All our sites are registered with Considerate Constructors, and we are proud to have achieved an average Considerate Constructors score of 42.5/50.

0.12

Accident Frequency Rate

42.5/50

Considerate Constructors score

↓ **Subcontractor conference**

HUGG HOMES

> "My Hugg Home is brilliant for what I need. The interior is high quality, the design is great and it all feels very well put together. The people I've met here are friendly and it feels like a real community."

Lauren Harrison-Short
Resident

Maximising dormant land to meet immediate housing need.

Since launching last year, we have grown our temporary modular housing business, Hugg Homes, with 22 units tenanted in Southampton (six to Southampton Council) and 32 to Broxbourne Council. These 54 tenanted homes produce a gross rental income of about £500,000 a year.

Hugg Homes provides local authorities and other partners with a high-quality alternative to bed and breakfast or hostel accommodation, at a considerable saving to the taxpayer, while putting to good use brownfield land waiting for planning permission and construction to commence. Councils across England spent nearly £1bn in 2017-18 on temporary accommodation, indicating significant market for Hugg Homes which are leased in line with local housing allowance rates.

Every Hugg Home is constructed and designed to a consistently high standard and is compliant with building regulations (BBA certified minimum 60 years).

There are fitted kitchens with integrated appliances, a fully tiled contemporary shower room, electric heating, private lockable storage, private access and parking. The homes are well insulated which ensures high energy efficiency (EPC rating C) and good acoustic performance, with minimal noise transfer.

Six months after moving into their Southampton homes, we surveyed tenants to learn more about their experience of living in a Hugg Home. The results were exceptional, with 100% stating they would recommend Hugg Homes to a friend, 100% rating the design and quality of fixtures and fittings at 3/5 or higher and 100% rating value for money at 3/5 or higher (with an average score of 4.2/5).

Resident Lauren Harrison-Short commented:

"My Hugg Home is brilliant for what I need. The interior is high quality, the design is great and it all feels very well put together. The people I've met here are friendly and it feels like a real community."

Resident Alan Chorley added:

"I have stayed in lots of rented accommodation over the years and Hugg is very good quality. The rented houses we had in the past were expensive and landlords were putting the prices up every six months. Our Hugg is ideal for us and has everything we need. "

Social and environmental review

CONTINUED

Customers

Our strategy of building high-quality affordable homes in the south and south-east of England continues to be successful. While many of our competitors face a tougher market in the face of political uncertainty, we have continued to sell reasonably well, with an average selling price of £250,000 over the 15-month reporting period and an average sales rate per active site of 0.73 homes per week.

With self-build providing more control of our developments, we can ensure our finished products offer an exceptional standard of living, with a quality specification included as standard.

Recognising that many of our buyers are entering the property market for the first time, we have targeted offers to support them, with furniture packages and stamp-duty-paid offers proving very popular. Hard Hat and First Homebuyer events have also supported customers, with potential homebuyers benefitting from professional expert advice.

In the unlikely event a customer is dissatisfied, we are able to respond quickly. We operate a customer service mailbox for each development. Our database enables our Customer Service team to log all reported issues and enquiries, monitor progress and keep the customer informed.

Our process means that regardless of whether the development is managed by us or by contractors, we can ensure the issue or enquiry is forwarded to the correct person to be resolved.

Environment

In line with our strategy of adding lasting value, we focus on limiting our impact on the environment. With our legacy of brownfield site regeneration, we have the experience and expertise to deal with the challenges these sites present, including where sites have been heavily contaminated by the previous land use.

Year on year, we build on this experience, implementing policies and measures to improve our environmental performance.

We continue to carry out biodiversity and ecology risk assessments as part of our site-planning process, ensuring we understand the full impact of development, and can apply appropriate mitigation measures where necessary.

During the period to 30 September 2019, we implemented a Sustainable Procurement Strategy. The strategy enables us to meet our needs for goods, services, works and utilities in a way that achieves value for money while generating social and environmental benefit at the same time.

Planning sustainable developments begins at the earliest stages of a project, when we assess potential sites, for example, considering what materials are present on the site and if we could reuse these in the construction. We make decisions that make both financial and ecological sense throughout the project.

On larger projects, we have the scope to undertake ambitious environmental projects, such as installing blue roof water systems to recycle rain water on site and electric vehicle charging points. In line with legislation, all of our timber suppliers and manufacturers are registered with either the PEFC or FSC.

We aim to reduce or recycle waste wherever possible. Our methodology can be summarised as 'reuse, recycle, recover'. We regard disposal at landfill as a last resort. At our Lily's Walk development, for example, we recycled 97% of materials on site between January and September 2019. Not only does this reduce the amount of waste going to landfill, it also reduces the number of vehicles (and emissions) needed to transport it.

100%

Hugg Home resident recommendation

↓

Sea wall and archaeological works Chapel Riverside, Southampton, Hampshire

“Opportunities like these make it real. They open up their eyes to what it actually means working in construction.”

Kevin Fraud
Lecturer, Bucks UTC

BUCKS UNIVERSITY

As part of our commitment to creating lasting value for the communities we operate in, we have entered into a formal partnership with Bucks University Technical College.

This is designed to make students aware of the range of careers available in the industry, through a mix of classroom and site-based sessions.

Representatives from across Inland Homes first met the students in June 2019, when they spoke to students at the college about their roles and the career opportunities available. The classroom presentations were followed by visits to Abbey Wharf in Alperton, Centre Square in High Wycombe and Farrier's Wood in Garston, with more than 40 students attending.

Sebastian Czajka, Project Manager at our Abbey Wharf development, hosted three visits to his site.

"Construction is a great industry to work in, with lots of change happening, and by showing them a best-practice site in action - a live construction site - we hope we have been able to build a picture of life in the industry and help them decide whether this is something they want to do in their lives," he said. "There is a shortage of construction workers, but there are also so many other opportunities, not necessarily on site in trades but also technical and commercial roles and it is rewarding for us that we are able to demonstrate this."

Kevin Fraud, Lecturer at Bucks UTC, added: "Opportunities like these make it real. They open up their eyes to what it actually means working in construction, to the planning, the procedures, the project management – understanding the logistics of it all."

For students Oliver Jones, Kinga Karasz and Robert Gomez Gomez the visits were more than just a break from the classroom – as welcome as that was. "I'm not entirely sure what I want to do when I leave. I'm keeping my options open, but visits like these are useful in helping me decide," said Oliver.

For Kinga, who is aiming to be a civil engineer, architect or quantity surveyor, the visit provided an opportunity to find out more about these career options: "I really enjoyed today, having the opportunity to walk around and ask questions. I've learnt too much to even start," she said.

Robert, who has his sights set on being an architect added: "It's been really useful, definitely, and 100% a good break from the classroom!"

We are developing an ongoing education programme with the College, which we will implement in the year ahead.

↗
Jasmine Park,
Ipswich,
Suffolk

GOVERNANCE

Board of Directors

Committee membership A Audit committee R Remuneration committee I Independent

Terry Roydon

Non-executive Chairman

A R I

Appointment to the Board
2007

Key strengths and experience
- Experienced non-executive director and Chairman
- Long-term track record of leading large listed and unlisted property and development companies

Terry has extensive managerial and political experience of the property sector obtained over a 40-year career. He was CEO of Prowling plc, Non-executive Director of Country & Metropolitan plc and Avant plc as well as president of the House Builders Federation.

Other current appointments
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.

Stephen Wicks

Chief Executive Officer

Appointment to the Board
2005

Key strengths and experience
- Very extensive in-depth knowledge and understanding of the housebuilding and construction sectors
- Considerable knowledge of running large commercial, property and land businesses

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 and 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.

Laure Duhot

Non-executive Director

A I

Appointment to the Board
2018

Key strengths and experience
- Significant experience gained in private equity, investment banking and property markets
- Solid experience as non-executive director and member of audit and risk committees

Laure brings over 30 years of senior executive level experience in the investment banking and property sectors, with a focus on alternative real estate assets, particularly the 'living' sector. Her last senior executive position was Head of Investment and Capital Markets – Europe, at Lendlease. Prior to that, she held senior roles at Grainger, Pradera, Sunrise Senior Living, Macquarie Capital Partners (now M3), Lehman Brothers and the EIB and has been a Non-executive Director at a number of Registered Providers, funds and property companies.

Other current appointments
Non-executive Director at healthcare REIT, Primary Health Properties plc and at MIC Limited.

Nishith Malde

Group Finance Director

Appointment to the Board
2005

Key strengths and experience
- Strong financial background with extensive property experience
- Considerable knowledge of running large commercial, property and land businesses

Nishith 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.

Simon Bennett

Senior Independent Director

A R I

Appointment to the Board
2007

Key strengths and experience

- Extensive career in finance gained in the investment banking and capital markets
- Considerable knowledge of remuneration polices and executive reward schemes

Simon is a chartered accountant with over 30 years of investment banking experience and providing corporate finance and broking advice to growing companies.

He was Head of Corporate Finance and Head of Mid and Small Caps team at Credit Lyonnais Securities (now Credit Agricole) as well as Head of Corporate Broking at Fairfax IS plc and Sanlam Securities.

Other current appointments
Simon established Incremental Capital LLP in 2004 to provide corporate finance advice to mid and small cap companies. He is also a partner at Glenmill Partners which provides impartial advice to entrepreneurs and growing companies.

Gary Skinner

Group Managing Director

Appointment to the Board
2018

Key strengths and experience

- Extensive knowledge of the housing sector
- Strategic leader with a track record of managing and supervising multidisciplinary executive teams

Gary brings considerable experience to the Board having worked in the housing 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).

Other current appointments
None.

Brian Johnson

Non-executive Director

R I

Appointment to the Board
2018

Key strengths and experience

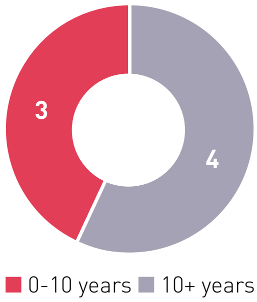
- Solid knowledge of the sector and an experienced non-executive director
- Extensive experience of leading and working in large organisations

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.

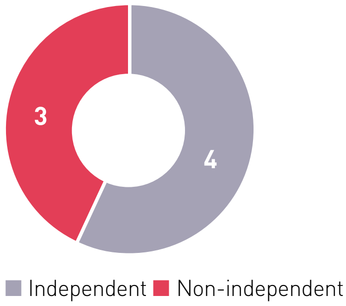
Other current appointments
Chief Executive Officer of the Maritime & Coastguards Agency since October 2018.

Board balance

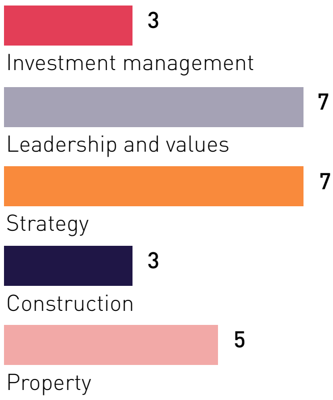
Tenure



Independence



Skills matrix



Corporate Governance statement

Dear shareholder,

On behalf of the Board, I am pleased to present the Corporate Governance statement for the period ended 30 September 2019.

The Board, under my chairmanship, is fully committed to ensuring we apply high standards of governance, values and behaviour consistently throughout the Group. This will help ensure the integrity of our business, the successful application of our strategy and the long-term success of the Group. The Board has chosen to base our governance on complying with the UK's Quoted Companies Alliance Corporate Governance Code (the QCA Code).

The statement, together with the committee reports that follow, explains how our governance framework functions and how the Group as a whole has applied the ten principles of the QCA Code during this period.

Effective leadership

Our Board

The Board is collectively responsible for the long-term success of the Group. It provides entrepreneurial leadership, sets Group strategy, upholds the Group's culture and values, reviews management performance, and ensures the Group understands and meets its obligations to shareholders.

Size and composition

The Board comprises seven Directors - a Non-executive Chairman, three further Non-executive Directors and three Executive Directors. The Chairman is responsible for leading the Board, setting its agenda and monitoring its effectiveness. There is a clear division of responsibility between the Chairman and the Chief Executive Officer. Our Board brings a range of skills and experience to the boardroom. We provide further information on pages 52 and 53.

Meetings

The Board met seven times in the reporting period, with additional meetings held by conference calls to consider, update or approve key transactions on major projects as required.

In conjunction with the Chairman, the Company Secretary maintains a schedule of regular governance, business, financial and operational matters for the Board to consider throughout the period's meeting cycle. The schedule incorporates site visits and strategy sessions and ensures the Company's AIM obligations are reviewed with its Nominated Advisor annually. The Company Secretary also ensures that the Group Board, and the Boards of its subsidiaries, are kept up to date on all governance and regulatory matters.

The Chairman, aided by the Company Secretary, is responsible for ensuring the Directors receive accurate and timely information. The Board receives reports from the Executive Directors and the Operating Board, so it is informed of and can supervise, the matters within its remit. The Company Secretary provides minutes of each meeting and every Director is aware of the right to have any concerns minuted and to seek independent advice at the Group's expense where appropriate.

Attendance

Directors are expected to attend all Board meetings and meetings of the committees they sit on, and to devote enough time to the Group's affairs to enable them to fulfil their duties as Directors. If Directors cannot attend a meeting, they will discuss in advance with the Chairman their comments on papers, so their contribution can be included in the wider Board discussion.

The following table shows Directors' attendance at scheduled Board and committee meetings during the period:

Name of Director	Independent	No. of Board meetings attended	No. of Remuneration Committee meetings attended	No. of Audit Committee meetings attended
Terry Roydon	Yes	7/7	4/4	3/3
Simon Bennett	Yes	7/7	4/4	3/3
Laure Duhot	Yes	7/7	n/a	3/3
Brian Johnson	Yes	7/7	4/4	n/a
Stephen Wicks	No	6/7	n/a	n/a
Nishith Malde	No	7/7	n/a	n/a
Gary Skinner	No	7/7	n/a	n/a

Independence

The Board considers that our Non-executive Directors remain independent.

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

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 if a director has served for more than nine years, this does not automatically affect independence provided the board is satisfied that the director continues to exhibit independence of character and judgement. In the Board's opinion, both Terry and Simon have continued to demonstrate strong 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.

The Board has nominated Simon Bennett as the Senior Independent Director. The Senior Independent Director's role is to act as a sounding board and intermediary for the Chairman or other members of the Board and to provide an alternative route of access to the Board for shareholders and other Directors where appropriate.

Governance framework

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

The Board

The Board is primarily responsible for setting the Group's strategy for creating long-term value for 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

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

Remuneration Committee

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.

Committees

The Board has delegated specific responsibilities to the Audit and Remuneration Committees, details of which are set out over the following pages.

Each committee has written terms of reference setting out its duties, authority and reporting responsibilities. We keep these terms of reference under review to ensure they remain appropriate and reflect any changes in legislation, regulation or best practice. Each committee is made up of Non-executive Directors of the Group.

Skills and experience

We recognise the importance of having a board with the necessary mix of skills, experience and personal qualities to deliver the strategy of the Company for the benefit of the shareholders and the wider stakeholder community. Appointments to the Board are therefore based on merit and judged against objective criteria. Our Board members have high ethical values and demonstrate strong leadership qualities. We have a strong mix of knowledge and experience relevant to our business, including finance sector, public markets, investor relations and property. Further details about our Directors can be found on pages 52 and 53.

Corporate Governance statement

CONTINUED

Effectiveness and evaluation

The Board has historically adopted an informal approach to evaluating the Board as a whole, its committees and individual members. This was in view of the size of the Group and the relatively small Board at the time. In complying with the QCA Code and recognising that an effective, well-balanced Board is central to good governance, the Board will undertake a formal evaluation process in early 2020. The review will focus on:

- the composition of the Board, including the balance of skills, knowledge and experience;
- the strategy of the business and the Board's role in setting it;
- Board dynamics and culture (of the Board and wider business);
- the management of the Board and committee meetings;
- the Board's oversight of risk management; and
- leadership and succession planning.

Conflicts of interest

On appointment, each Director must notify the Company of their external board appointments, other significant commitments and any actual or potential conflicts of interest. Each Director has an opportunity to disclose actual or potential conflicts of interests to the Board, either by way of general notice, or at the beginning of each Board or Committee meeting. Where actual or potential conflicts of interest arise, the relevant Director does not receive Board papers and is excluded from discussions and voting on the subject matter that gives rise to the conflict.

Internal controls and risk management

The Board has ultimate responsibility for the Group's system of internal control. Responsibility for monitoring and ensuring the ongoing effectiveness of this framework, is delegated to the Audit Committee. The Board recognises that any system of internal control can provide reasonable, but not absolute, assurance against material misstatement or loss. However, the Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group. The Group continually reviews its controls framework to ensure adherence to best practice, while also having regard to its size and the resources available.

The principal risks faced by the business are set out on pages 30 to 33. You can find details of the Group's internal control framework on pages 57 and 58.

Business culture, values and behaviour

Our principles inform every aspect of our business operations and decision-making. We have worked hard to maintain a family feel as the business has grown, because we believe this is what makes us uniquely Inland. We don't compromise on safety and we know we are 'stronger together'. Whether that relates to our employees, our partners or our supply chain - we invest in those relationships. We use staff events, staff surveys and supply chain forums to promote our values and behaviours. The results and feedback we receive allow the Board to monitor how the Group embodies our guiding principles. You can find more about what we do in our Social and Environmental Review on page 42.

Engaging with shareholders

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

The following is a summary of the ways in which we do this.

Investor meetings

Following the full-year and half-year announcements, as well as at various other times as requested, the Executive Directors meet 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

We held our 2018 Annual General Meeting (AGM) on 27 November 2018. The 2019 Annual General Meeting will be held on 4 March 2020 and we encourage our shareholders to attend. The AGM provides an opportunity for private shareholders in particular to raise a 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 by email or from our website.

Corporate website

The Group's corporate website, www.inlandhomesplc.com, has an investor section which includes our annual reports, results presentations (which we make 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.

Debt-holder engagement

Our CEO, Stephen Wicks, and Group Finance Director, Nishith 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 in Advisers and Company information. The Senior Independent Non-executive Director is available to shareholders if they have concerns that cannot be resolved through the normal channels of Chairman, Chief Executive or Company Secretary or for which such contact is inappropriate.

Governance principle	Compliant	Explanation	Further reading
01 **Establish a strategy and business model which promote long-term value for shareholders**	✓	The strategy and business model are set by the Board and reviewed regularly to ensure both remain appropriate.	See pages 22 and 18 for further reading on our strategy and business model.
02 **Seek to understand and meet shareholder needs and expectations**	✓	We engage with our shareholders in a number of ways, including through Investor Roadshows and site and development tours with our CEO, Group Finance Director and Managing Director.	Further information on shareholder engagement can be found on page 42.
03 **Take into account wider stakeholder and social responsibilities and their implications for long-term success**	✓	The Board has identified the main stakeholders in the business. Business decisions and developments are taken with the impact of our stakeholders in mind. We take our social responsibilities seriously and constantly strive to enhance our environmental and social credentials.	See the Social and Environmental Review to understand more about how we work closely with our stakeholder groups.
04 **Embed effective risk management, considering both opportunities and threats, throughout the organisation**	✓	The Board is ultimately responsible for setting the risk appetite for the Company; however, our culture seeks to empower all colleagues to manage risk effectively.	We have summarised the main risks faced by the business and how they are being managed on pages 30 to 33. Further details about our approach to risk management and internal controls are provided in the Corporate Governance statement on page 54 and the Audit Committee report on page 64.
05 **Maintain the Board as a well-functioning, balanced team led by the Chair**	✓	The Board has an appropriate mix of Executive and Non-executive Directors. The Chairman facilitates open and productive debate between Directors, ensuring constructive challenge when necessary.	Our Directors and details of their key skills and experience are set out on pages 52 and 53.

Corporate Governance statement

CONTINUED

Governance principle	Compliant	Explanation	Further reading
06 **Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities**	✓	Our Board appointments are made on merit and against objective criteria, including personal characteristics. The balance of skills and experience will be assessed as part of the planned Board evaluation. Directors' individual development needs will also be discussed as part of this process.	Further information about the balance of skills and experience of the Board can be found on pages 52 to 53.
07 **Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement**	✓	An evaluation of the Board and individual Directors will be undertaken in early 2020. This will be an internal review and the outputs will be considered by the Board as a whole.	Details of the criteria against which the Board and individual Directors will be assessed are included on page 56.
08 **Promote a corporate culture that is based on ethical values and behaviours**	✓	Our principles are embodied across the Group and inform every aspect of our business operations and decision-making.	You can read more about our corporate culture in the employee section on page 43.
09 **Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board**	✓	Under the leadership of the Chairman, the Board has a collective responsibility for the governance structure of the Group to ensure the Company's strategy is delivered effectively. It important to us that the framework we have in place is appropriate for our business model and this is something we keep under continuous review.	Our Corporate Governance statement on pages 54 to 58 provides further reading on our governance structure.
10 **Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**	✓	The Board recognises the importance of communication with all stakeholder groups to ensure that who we are as a Company is understood and that our strategy and performance are clearly articulated.	Find out more about how we do this on page 42.

Remuneration Committee report (unaudited)

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

This report sets out the remuneration paid to the Directors for the 15-month period ended 30 September 2019 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, Senior Non-executive Director, who is Chairman of the Committee, Terry Roydon, the Company's Non-executive Chairman and Brian Johnson, Non-executive Director. The Remuneration Committee meets formally three times a year and on such other occasions as may be required.

	Simon Bennett	Terry Roydon	Brian* Johnson
No. of meetings	4	4	4
Attendance	100%	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, Group Managing Director, and independent advice from external consultants, where it considers this to be appropriate.

* Brian Johnson joined the committee on his appointment to the Board, in July 2018.

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 Group 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 at that time, the Remuneration Committee introduced a new deferred bonus plan and a long-term incentive plan for the Company's Executive Directors, which were 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 operated for a period of six years and which was approved by shareholders in general meeting in December 2013.

This scheme has now run its course and the Remuneration Committee has been working with the Group's remuneration consultants MM&K Limited, to formulate a new long-term incentive plan to replace the 2013 LTIP. Further details of these proposals are set out below.

The key elements of the 2013 LTIP are given 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.

Remuneration Committee report (unaudited)

CONTINUED

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 provided for 50% of an Executive Director's bonus to be mandatorily deferred into ordinary shares in the Company. Under these arrangements, bonuses will 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 currently operates both an unapproved share option scheme, which is open to all employees of Inland Homes, and the 2013 LTIP, which is open to the Executive Directors.

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, which has now run its course:

1. Creation of Growth Shares

The plan operated 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 were called 'Growth Shares'. The Growth Shares were qualifying shares for the purposes of the Employee Shareholder Status scheme, the aim of which was to provide tax benefits to employees and Directors who achieved growth for their employing companies.

The awards in relation to the Growth Shares were subject to performance targets (Performance Targets) and when such Performance Targets were achieved, a relevant proportion of the Growth Shares were awarded.

2. Vesting and exchange of Growth Shares

Subject to the Performance Targets being met, the awards in relation to the Growth Shares would vest in accordance with the Articles of Association of Inland Homes 2013 Limited if and when each Performance Target was met. After vesting, the Growth Shares could be realised by being exchanged for a fixed number of the Company's ordinary shares.

The Growth Shares did not carry any entitlement to dividends, capital or voting unless and until they vested and were exchanged for ordinary 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'). Originally 11,350,504 ordinary shares were available to be earned under the 2013 LTIP, equivalent at the time to 5.68% of the issued share capital.

One of the Participants, Paul Brett, stepped down from the Board in April 2018 and 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. His possible share of any future Growth Shares lapsed at that time.

The aggregate number of ordinary shares issuable under the 2013 LTIP was therefore then reduced by 1,702,576 ordinary shares to 9,647,928 ordinary shares (from 11,350,504 ordinary shares). On 19 July 2018, the Company issued 2,814,924 new ordinary shares of 10p each to Stephen Wicks in exchange for 248 of his vested Growth Shares under the 2013 LTIP. The total number of ordinary shares issuable under the 2013 LTIP was therefore reduced to 6,833,004 ordinary shares.

Of this total, as at 30 September 2019, in aggregate a further 2,285,076 ordinary shares (equivalent to 1.10% of the total issued ordinary share capital) were available to be issued to the Participants, under the terms of the 2013 LTIP, as the Performance Targets had been met. The remaining, a total of 4,547,928 ordinary shares (equivalent to 2.19% of the total issued ordinary share capital at the period end), have now lapsed as the Performance Targets have not been met.

Due to an anomaly in the way in which the 2013 LTIP was drafted, fractional entitlements of a Growth Share cannot be exchanged for ordinary shares. As a result of the 2,285,076 ordinary shares earned by the Participants but not yet issued, 14,975 ordinary shares would otherwise lapse. The Remuneration Committee has agreed to issue any earned but unallocated ordinary shares created by this anomaly to the existing Participants, 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 in accordance with the rules of the scheme.

Gary Skinner, who joined the Group Board in May 2018, was not entitled to any awards under the 2013 LTIP, but will be able to participate in any future LTIP approved by shareholders at a general meeting.

4. Performance Targets

Vesting only occurred as and when specific Performance Targets (which were linked to the share price of Inland Homes plc over six consecutive annual performance periods) were met or exceeded for 15 working days in the relevant performance period. Each annual performance period ended 20 working days after the announcement of preliminary results for each year, usually therefore in October of each year.

However, the Group's accounting period was changed during the year from 30 June to 30 September 2019. For the purposes of the 2013 LTIP only, the final period for Performance Targets to be met was deemed to be the year ended 30 June 2019.

The target share prices for the 2013 LTIP was based on compounded growth being achieved and, accordingly, if the Performance Target was missed in one period, the Participants' awards could still vest, if the required compound percentage of growth was achieved in subsequent periods. For instance, if in the first period the Performance Target for that period was not met, then the related number of Growth Shares which could have vested may still vest in the following period or future 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 60.5p per ordinary share (the First Target Performance Price), being a 30% premium to the share price of 46.5p per ordinary share (the Initial Base Price), being the mid-price at the close of business on 20 December 2013, the date the 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 2019 in 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

Originally, 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, would have had to have more than doubled before the end of the final performance period, when compared with the Initial Base Price of 46.5 pence per ordinary share. This increase would have been equivalent to an approximate 14% annual compound rise in the ordinary share price over the life of the 2013 LTIP.

As at 30 September 2019 a total of 2,285,076 ordinary shares (equivalent to 1.10% of the total issued ordinary share capital) have been earned but not been issued yet to the remaining Participants.

6. Change of Control

The 2013 LTIP allowed realisation from three years after the award, provided the Performance Targets had been met. As is customary, the 2013 LTIP provided 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.

2019 Long Term Incentive Plan

As set out in more detail above, the 2013 LTIP scheme has now run its course and the Remuneration Committee has been working with the Group's remuneration consultants, MM&K Limited, to formulate the terms of a new long-term incentive plan, in accordance with current best practice.

The new 2019 Long Term Incentive Plan (2019 LTIP) will take the form of a performance share plan under which selected participants will, each year, be awarded an interest in a number of ordinary shares which will vest three years later in whole or in part, depending on whether and the extent to which the chosen performance criteria attaching to those awards have been met.

The normal maximum value of an award that may be made to a participant each year will be 100% of their salary although the Remuneration Committee will be able to make awards up to 200% of salary to a selected participant, if it believes that there are exceptional circumstances that necessitate this level of award.

The Remuneration Committee will have the discretion to override the formulaic vesting outturn of the LTIP at the end of the three year performance period to determine the appropriate level of vesting where it believes the outcome is not truly reflective of underlying performance during the performance period and to ensure fairness to both shareholders and participants.

Vested awards will be subject to a holding period following the end of the performance period, and shares will not normally be released until the end of the holding period. This holding period will be 18 months for 50% of vested awards and 30 months for the other 50%.

Remuneration Committee report (unaudited)

CONTINUED

Additional amounts equivalent to any dividends or shareholder distributions will be made in respect of vested awards at the time those shares are released to the participants at the end of the holding period. Such amounts will normally be paid in shares.

Further details relating to the new proposed LTIP will be sent to shareholders, together with the full details of a new remuneration policy, in a Circular relating to a shareholder meeting later in the year at which shareholders will be asked to approve the new 2019 LTIP and remuneration policy.

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

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

Directors' emoluments for the period ended 30 September 2019

A review of the financial results for the 15-month period ended 30 September 2019 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 period has been another successful one for the Group with profit before tax of £25.0m (year ended 30 June 2018:£19.3m), and show undiluted EPRA NAV per share increased to 113.69p (year ended 30 June 2018: 102.3p).

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

Stephen Wicks	£82,000
Nishith Malde	£82,000
Gary Skinner	£50,000

In accordance with the rules of the Deferred Bonus Plan, further details of which are set out above, the bonuses for Stephen Wicks, Nishith Malde and Gary Skinner will be settled as 50% in cash, £107,000, and as 50% in ordinary shares of the Company, £107,000. The ordinary shares awarded in respect of these bonuses will be deferred for three years and will be subject to forfeiture in the event that an Executive Director leaves the Company as a 'bad leaver', but are not subject to any further performance conditions.

The award of ordinary shares of the Company will be granted on terms that, when they vest, the number of ordinary shares subject to the award shall be increased by deeming the net dividends paid on the ordinary shares from the date of the award until the date of vesting to have been cumulatively reinvested in additional ordinary shares.

During the period there was no change to the basic salaries of Stephen Wicks and Nishith Malde. Gary Skinner was awarded an increase in salary to £280,000 (from £250,000), effective from 1 July 2018, to bring his remuneration in line with the market.

Directors' remuneration table (audited)

The remuneration of each of the Directors during the 15-month period ended 30 September 2019 is set out in detail below:

	2019							Year ended 30 June 2018
	Salary/ fees £000	Bonus £000	Benefits £000	Pension £000	Total remuneration £000	Social security costs £000	Total remuneration and social security £000	Total remuneration and social security £000
Executive Directors								
S D Wicks[1]	505	41	10	–	556	74	630	472
N Malde[1]	505	41	6	–	552	74	626	469
G Skinner	325	25	3	12	365	47	412	91
Non-executive Directors								
T Roydon	75	–	–	–	75	–	75	55
S Bennett	63	–	–	–	63	–	63	45
L Duhot	48	–	–	–	48	–	48	–
B Johnson	48	–	–	–	48	–	48	–

[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 67. The share options held by the Directors in the unapproved share option scheme are set out below:

	Gary Skinner	Stephen Wicks	Nishith Malde	Paul Brett[1]
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 2018	–	–	1,500,000	400,000
Options issued during the period:				
Options exercisable 17 July 2021 to 16 July 2028 at 67.00p	250,000	–	–	–
Options exercisable 18 March 2022 to 17 March 2029 at 61.30p	500,000	–	–	–
Exercised during the period	–	–	–	(400,000)
Total options outstanding at 30 September 2019	750,000	–	1,500,000	–

[1] Paul Brett resigned on 16 April 2018.

2013 LTIP

The initial price for determination of awards under the 2013 LTIP was 46.5 pence per ordinary share.

In aggregate, to date, the conditions for the issue of 6,000,000 ordinary shares (in aggregate, including those issued to Participants who have left the Group) have been met, of the 11,350,504 new ordinary shares that could have been issued in accordance with the rules of the 2013 LTIP. The awards vested to date to current Directors of the Group are as follows:

	Ordinary shares of 10p each
S D Wicks[2]	2,820,000
N Malde	2,280,000

[2] S D Wicks exercised 2,814,924 ordinary shares on 19 July 2018.

Under the 2013 LTIP, the threshold price for the year ending 30 June 2019, which would have earned a further 1,147,928 ordinary shares, was 101.8 pence per ordinary share. The Inland Homes share price did not attain this level during the requisite period and as a result no further awards will be made to the Participants under the 2013 LTIP.

As at 30 September 2019 2,285,076 ordinary shares (equivalent to 1.10% of the total issued ordinary share capital) have been earned but not been yet issued to the remaining Participants.

Approval

This report was approved by the Board on 30 January 2020 and signed on its behalf by:

Simon Bennett
Chair of the Remuneration Committee
30 January 2020

Audit Committee report

I am pleased to present the Audit Committee report for the period ended 30 September 2019. It provides shareholders with an overview of the activities carried out by the Committee during the period. The Audit Committee is responsible for ensuring 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 the Executive Directors and management present.

Membership

The Committee consists of three independent Non-executive Directors: myself (as Chairman), Laure Duhot and Simon Bennett. Other members of the Board or management may attend Committee meetings by invitation if required. We ensure Committee members have the skills and knowledge relevant to the remit of the Committee, and the personal attributes to enable us to work with management and external auditors, and to challenge matters if needed.

Duties

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

- reviewing the 2019 Report and Accounts;
- considering the external audit report and management representation letter;
- the going-concern review;
- reviewing the 2019 audit plan;
- reviewing the suitability of the external auditor;
- reviewing the interim results; and
- reviewing significant estimates and judgements.

Role of the external auditor

The Audit Committee monitors the relationship with the external auditor, BDO LLP, to ensure we maintain auditor independence and objectivity. 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 7 of the Financial Statements. Having reviewed the auditor's independence and performance, the Committee recommends BDO LLP be reappointed as the Group's auditor at the next AGM.

Internal controls and risk

The Group continually reviews its controls framework to ensure adherence to best practice, while also having regard to its size and the resources available.

The principal elements of the Group's internal control system include:

- close management of the day-to-day activities of the Group by the Executive Directors;
- an organisational structure with defined levels of responsibility and approvals, which promotes entrepreneurial decision-making and implementation, while mitigating risks;
- segregation of duties so no individual can have undue influence or control over an activity, process or transaction;
- central control over key areas such as authorising capital expenditure and banking facilities; and
- the formal risk framework agreed by the Board, details of which you can find on page 30.

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. The Audit Committee maintains the policy on whistleblowing and monitors its effectiveness and compliance.

Terry Roydon
Chair of the Audit Committee
30 January 2020

Chapel Riverside,
Southampton,
Hampshire

Directors' report

Principal activity

Inland Homes plc is a Company incorporated in England and Wales under company registration number 5482990. The principal subsidiaries and associated undertakings are shown in note 20 to the Financial Statements.

Results and dividend

On 6 June 2019, the Group and the Company changed its accounting reference date from 30 June to 30 September. Consequently, the current period presented is 15 months and the comparative information is for 12 months throughout this report. The Group's consolidated income statement set out on page 77 shows Group profit before taxation of £25.0m (2018: £19.3m). The Group's EPRA NAV per share was 113.69p as at 30 September 2019. The results for the Group are reviewed in the Chairman's statement on page 6, the Chief Executive's Q&A on page 10, the Group Finance Director's review on page 24 and the Portfolio review on page 38. The detailed results are set out in the Financial Statements on pages 77 to 121 which accompany this report. Likely future developments for the Group are discussed in the Chief Executive's Q&A on page 10.

The Board discussed and resolved to pay an interim dividend of 0.85p per share which would represent an increase of approximately 30% on the previous interim dividend of 0.65p per share. The Board has declared the payment of a further interim dividend of 2.25p per share which, together with the interim dividend already paid, will make total dividends paid of 3.10p (2018: 2.20p) per share.

Going concern

In adopting the going concern basis for preparing the Financial Statements, the Directors have considered the business activities as set out on page 22 as well as the Group's principal risks and uncertainties as set out on pages 30 to 33. Based on the Group's cash flow forecasts and projections, the Board is satisfied that the Group will be able to operate within the level of its facilities for the foreseeable future. For this reason, the Board considers it appropriate for the Group to adopt the going concern basis in preparing its Financial Statements. See note 28 for more information on our facilities.

Post balance sheet events

Details of post balance sheet events are given in note 36 of the Financial Statements.

Substantial shareholding

Substantial shareholding of 3% or more of the nominal value of the Company's shares. This table excludes Directors' shareholdings, which are detailed on the next page.

Major shareholders	Shareholding
Mr Mark H Dixon	16,000,000
Janus Henderson Investors	10,138,737
Mr Premchand Shah and Mrs Kanchangauri Shah	6,199,222

Directors' and Officers' liability insurance and independent advice

The Company maintains an appropriate level of Directors' and Officers' liability insurance in respect of legal actions against the Directors. The Board has established a procedure by which any Director, for the purpose of furthering his or her duties, may take independent professional advice at the Company's expense. No Director had reason to use this facility during the reporting period.

Share capital

The Company's issued share capital as at 30 September 2019 was 207,366,045 Ordinary Shares of 10 pence each. 1,627,500 ordinary shares are held by the Company's Employee Benefit Trust. Details of movements in the Company's issued share capital can be found in note 25 to the Financial Statements.

Share option schemes

Details of employee share schemes are set out in note 26 to the Financial Statements.

Directors and Directors' interests

	As at 30 September 2019			As at 30 June 2018		
	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	**17,237,256**	**222**	**–**	13,987,332	470	–
N Malde	**10,891,529**	**380**	**1,500,000**	11,360,029	380	1,500,000
G Skinner	**40,000**	**–**	**750,000**	40,000	–	–
T Roydon	**325,000**	**–**	**–**	325,000	–	–
S Bennett	**110,000**	**–**	**–**	110,000	–	–
L Duhot	**–**	**–**	**–**	–	–	–
B Johnson	**–**	**–**	**–**	–	–	–

More information about the Directors can be found on page 52 and 53.

Purchase of own shares

The Company purchased 200,000 of its own shares pursuant to the share buyback programme. This is detailed in note 25 of the Financial Statements.

Political donations

The Company did not make any political donations or incur any political expenditure during the reporting period to 30 September 2019, or in the prior year.

Auditor

A resolution to reappoint BDO LLP as auditor of the Company and to authorise the Audit Committee to determine its remuneration will be proposed at the forthcoming AGM.

As far as the Directors are aware, there is no relevant audit information (that is, information needed by the Group's auditor in connection with preparing their report) of which the Group's auditor is unaware. Each Director has taken all reasonable steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

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 4 March 2020.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the Group's consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the Company Financial Statements in accordance with FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 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 or United Kingdom Generally Accepted Accounting Practice, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial risk management objectives and policies

These are detailed in note 31 of the Financial Statements.

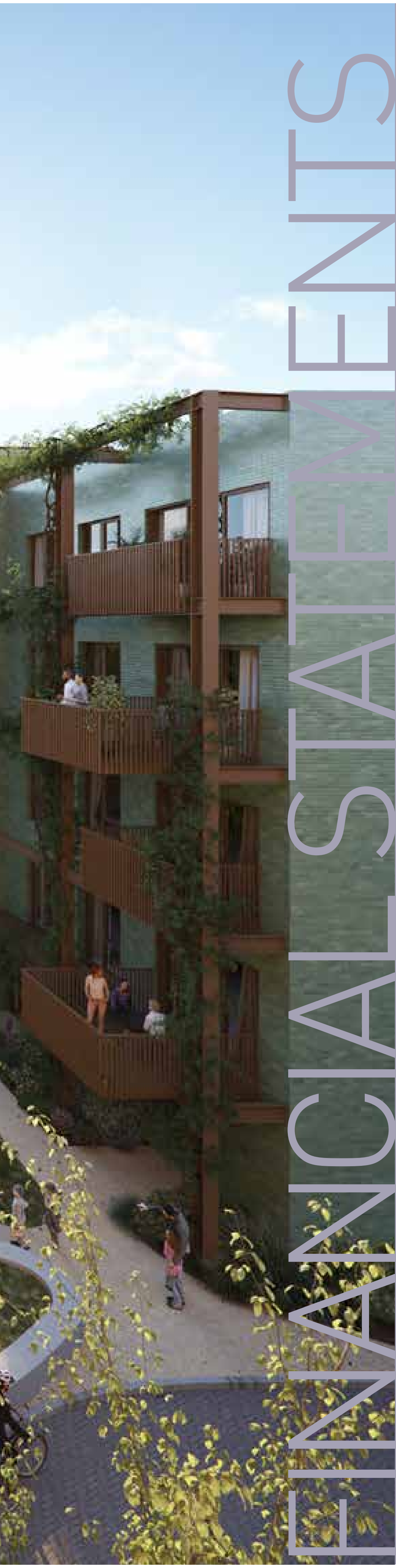
Website publication

The Directors are responsible for ensuring the report and accounts are made available on a website. Financial statements are published on the Group'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 Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Kat Worth
Company Secretary
30 January 2020

Hillingdon Gardens,
Hillingdon

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 15 month period ended 30 September 2019 which comprise the Group income statement, the Group and Parent Company statement of financial position, the Group and Parent Company statement of changes in equity, the Group statement of cash flows and 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 September 2019 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

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

Key audit matter	How we addressed the key audit matter in audit
Valuation of investment properties and carrying value of trading properties (Notes 3, 15 and 22) The Group owns a portfolio of properties which are held as either investment properties or trading properties. 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 and for this reason, we considered this as a key audit matter.	**Trading properties** Our audit work in relation to trading properties 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; – Reviewed the level of costs to complete that were fixed by way of procurement; – 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, Buckingham House, Castle House and Wilton Park 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 Directors; – 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 Directors; • 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 did this by holding discussions with the Directors and obtaining an explanation for the reasons why these valuations were outside of our expectations. We obtained supporting evidence to corroborate explanations received from the Directors. • 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. We performed a recalculation of the valuation based on the inputs tested. • For a sample of investment properties we corroborated the rental income to supporting leases. • For those properties re-classified as Held for Sale we considered the classification in light of the evidence provided by management and the criteria under IFRS 5. **Key observations** We did not identify any indicators to suggest that the valuation of the Group's investment properties and the carrying value of the Group's trading properties is inappropriate.

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

Key audit matter	How we addressed the key audit matter in audit
Revenue and profit recognition (Note 6) 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. The accounting for the revenue from construction 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. The group is involved in the provision of certain development and planning application management fee services to third parties. The accounting for revenue from such contracts is inherently complex and involves significant judgement in terms of the identification of performance obligations under IFRS 15 and where appropriate the stage of performance against those obligations and the measurement and recognition of any deferred consideration where relevant.	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 September 2019 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. **Construction 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; • 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; • Compared the key assumptions within each development appraisal against the contract terms and agreed details to supporting documentation where relevant; and • Compared the stage of completion against the proportion of profit recognised to date. **Management fee income** For each contract we obtained copies of the management fee contract and performed the following: • We obtained a copy of management's paper regarding the revenue recognition policy for the contract. We challenged the judgements made in relation to the performance obligations identified with management and considered these in light of our review of the contract and knowledge of IFRS 15. • We obtained management's assessment of the Group's performance against the performance obligations identified in each contract. We challenged management regarding the assumptions made and corroborated their responses to external sources where necessary. **Key observations** We did not identify any indicators to suggest that the revenue and profit recognition from the sale of land and buildings, from construction contract income or from management fee income has been recognised inappropriately.

Key audit matter	How we addressed the key audit matter in audit
Going concern (Note 1) Refer to page 66 (Directors Report) and page 81 (accounting policies). The Directors have prepared cash flow forecasts for the period to 30 September 2021. These forecasts include assumptions over the revenue, profitability and cash generation of the business. These forecasts have been stress tested for down turn scenarios that could impact the business. The Group has three facilities that fall due for repayment during 2020. Given the existence of facilities that fall due for payment in the next 12 months we consider there to have been an increase in going concern risk.	We evaluated the Directors' going concern assessment and performed the following procedures: • We assessed the appropriateness of the Group's cash flow forecasts in the context of the Group's 2019 financial position, the expected land and house sales and other contractual revenue and evaluated the Directors' downside sensitivities against these forecasts. • We evaluated the key assumptions in these forecasts and considered whether these appear reasonable, for example by comparing sales revenue to contractually secured future revenue and expected sales prices to forward sales, historic sales data in the area and expected completion of sites. • We obtained the Directors' views on their ability to obtain alternatives sources of finance to replace existing facilities, the Directors' views on and evidence of the continued support of their lenders and the ability to obtain finance on unencumbered assets. • We obtained and re-performed the Directors' forecast covenant compliance to 30 September 2021. • We considered the Group's overhead and the level of discretionary spend in the Group and the Directors' ability to flex this in base case scenarios. • We also reviewed the disclosures provided relating to the going concern basis of preparation and considered whether these were consistent with the evidence that we found. Our conclusions on going concern are set out in the going concern section above. **Key Observations** We did not identify any indicators to suggest that it is inappropriate to prepare the annual report on a going concern basis.
Recoverability of receivables from Joint Ventures and the Associate (Note 20) and other significant receivables (Note 23) There Group has made a number of loans to Joint Venture and Associate entities. The recoverability of these receivables is often underpinned by the net realisable value of the underlying development held within the Special Purpose Vehicle. There are also a number of other significant receivables due from management fee contracts. The recoverability of these receivables is often dependent on the value of the land over which the Group holds security and for this reason, we considered this as a key audit matter.	Our audit procedures were in line with those set out in the valuation of investment properties and carrying value of trading properties key audit matter outlined earlier in this report. **Key Observation** We did not identify any indicators to suggest that the receivables from Joint Ventures and the Associate, and other significant receivables have been recognised inappropriately.

Independent Auditor's report
to the members of Inland Homes plc
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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	£3,750,000	£1,000,000
Performance materiality	£2,250,000	£600,000
Clearly trivial threshold	£75,000	£20,000

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 in assessing the financial performance of the Group. As such, the materiality for the Group financial statements as a whole was determined to be £3,750,000, 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 £1,000,000 to these areas which represents 5% of the three year average adjusted earnings. The three year average was taken to better reflect a consistent basis in a business where there are inconsistent operational cycles and trading activity.

In the prior year to 30 June 2018 we applied a financial statement materiality based 1% of total assets of £3,000,000 and a specific materiality of £1,580,000 which represented 8% of profit before tax. As explained above, we considered it appropriate for the current year to change the basis and use a three year average of adjusted earnings for specific materiality. We also reduced the percentage used from 8% to 5% to reflect the increased trading activity as the business matures.

We determined that a measure of financial statement materiality for the Parent Company, was £900,000 which was set based on 2% of the Parent Company's total assets, but capped at 90% of Group specific materiality (year ended 30 June 2018: £1,160,000).

Each component of the Group was audited to a lower level of materiality. Component materiality ranged from £4,000 to £900,000 (year ended 30 June 2018: 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 £2,250,000 and specific performance materiality was set at £600,000 (year ended 30 June 2018: financial statement performance materiality was £1,800,000 and specific performance materiality was £948,000).

For the Parent Company we considered it appropriate to set the level of performance materiality at 75%, and the performance materiality applied was £675,000 (year ended 30 June 2018: £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 £75,000 for all items audited to financial statement materiality, and £20,000 for items audited to specific materiality (year ended 30 June 2018: £60,000 for 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 £45,000 (year ended 30 June 2018: £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. For all subsidiary components in the Group, audit work was performed to respond to the assess risks and was performed directly by the Group audit engagement team which consisted of performing full audit procedures on each subsidiary. Our audit work at each of these subsidiary components was executed at levels of materiality applicable to the relevant component, which in each instance was lower than Group materiality. 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 and accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

Responsibilities of Directors

As explained more fully in the Statement of Director's responsibilities 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's report
to the members of Inland Homes plc
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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, UK
30 January 2020

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

Group income statement

for the 15-month period ended 30 September 2019

Continuing operations	Note	Fifteen months to 30 September 2019 £m	Year ended 30 June 2018 £m
Revenue	6	**147.9**	147.4
Cost of sales	6	**(115.4)**	(115.6)
Gross profit		**32.5**	31.8
Administrative expenses	6	**(15.7)**	(9.4)
Gain on sale of subsidiary	20	**–**	0.1
Gain on sale of joint venture interest	20	**12.6**	–
Share of profit of joint ventures	20	**2.0**	1.0
Share of profit of associate	20	**0.2**	–
Revaluation of investment property	15	**1.1**	–
Operating profit		**32.7**	23.5
Finance cost – interest expense	10	**(9.4)**	(5.1)
Finance income – interest receivable and similar income	11	**1.7**	0.9
Profit before tax		**25.0**	19.3
Tax charge	12	**(0.4)**	(3.9)
Total profit for the period/ year		**24.6**	15.4
Other comprehensive income:			
Revaluation of quoted investments	17	**(0.4)**	–
Total profit and comprehensive income for the period/ year		**24.2**	15.4
Earnings per share for profit attributable to the equity holders of the Company during the period/year			
– basic	13	**11.79p**	7.64p
– diluted	13	**11.47p**	7.30p

The accompanying notes form part of these financial statements.

Statements of financial position

at 30 September 2019

Company number 5482990

	Note	Group 30 September 2019 £m	Group 30 June 2018 £m	Company 30 September 2019 £m	Company 30 June 2018 £m
ASSETS					
Non-current assets					
Investment properties	15	**49.3**	52.8	**–**	–
Property, plant and equipment	16	**6.3**	1.3	**–**	–
Intangible assets	19	**0.3**	–		
Investments in quoted companies	17	**1.1**	0.2	**–**	–
Investment in subsidiaries	20	**–**	–	**12.5**	12.5
Investment in joint ventures	20	**8.0**	0.4	**–**	–
Amounts due from joint ventures	20	**1.0**	1.0	**–**	–
Investment in associate	20	**1.3**	1.1	**–**	–
Amounts due from associate	20	**–**	3.0	**–**	–
Other receivables	23	**21.8**	11.0	**–**	–
Deferred tax	21	**–**	–	**0.8**	0.7
Total non-current assets		**89.1**	70.8	**13.3**	13.2
Current assets					
Inventories	22	**192.4**	136.2	**–**	–
Trade and other receivables	23	**45.4**	30.4	**40.2**	37.1
Assets held for sale	18	**4.7**	–	**–**	–
Corporation tax		**–**	–	**–**	0.5
Amounts due from associate	20	**3.3**	2.8	**–**	–
Amounts due from joint ventures	20	**34.8**	19.0	**–**	–
Cash and cash equivalents	24	**10.9**	40.4	**7.1**	18.3
Total current assets		**291.5**	228.8	**47.3**	55.9
Total assets		**380.6**	299.6	**60.6**	69.1
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	25	**20.7**	20.5	**20.7**	20.5
Share premium account	26	**36.4**	34.8	**36.4**	34.8
Employee benefit trust	26	**(1.1)**	(1.1)	**(1.1)**	(1.1)
Treasury reserve	26	**–**	(0.5)	**–**	(0.5)
Special reserve	26	**1.1**	6.1	**1.1**	6.1
Retained earnings	26	**105.1**	82.6	**2.9**	8.2
Total equity attributable to shareholders of the Company		**162.2**	142.4	**60.0**	68.0
LIABILITIES					
Current liabilities					
Bank loans and overdrafts	28	**48.0**	26.0	**–**	–
Zero Dividend Preference shares	28	**–**	18.4	**–**	–
Trade and other payables	27	**47.7**	24.9	**0.6**	1.1
Corporation tax		**2.2**	6.6	**–**	–
Other financial liabilities	30	**4.1**	3.7	**–**	–
Total current liabilities		**102.0**	79.6	**0.6**	1.1
Non-current liabilities					
Bank loans	28	**82.1**	41.4	**–**	–
Other loans	28	**7.2**	34.3	**–**	–
Zero Dividend Preference shares	28	**25.9**	–	**–**	–
Deferred tax	21	**1.2**	1.9	**–**	–
Total non-current liabilities		**116.4**	77.6	**–**	–
Total equity and liabilities		**380.6**	299.6	**60.6**	69.1

Retained earnings for the Company includes a loss after tax for the period of £3.4m (year ended 30 June 2018: profit after tax of £7.5m).

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.

The financial statements were approved and authorised for issue by the Board of Directors on 30 January 2020.

Stephen Wicks
Director

Nishith Malde
Director

The accompanying notes form part of these financial statements.

Statements of changes in equity

for the 15-month period ended 30 September 2019

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 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	9	–	–	–	–	–	0.6	0.6
Dividend payment	14	–	–	–	–	–	(3.7)	(3.7)
Issue of ordinary shares	25	0.1	0.5	–	–	–	(0.6)	–
Purchase of own shares	25	–	–	–	–	(0.6)	–	(0.6)
Exercise of share options	25	–	–	–	–	0.1	–	0.1
At 30 June 2018		20.5	34.8	(1.1)	6.1	(0.5)	82.6	142.4
Transitional IFRS 15 adjustment	5	–	–	–	–	–	0.2	0.2
At 30 June 2018 – restated		**20.5**	**34.8**	**(1.1)**	**6.1**	**(0.5)**	**82.8**	**142.6**
Total profit for the period		–	–	–	–	–	24.6	24.6
Other comprehensive income	17	–	–	–	–	–	(0.4)	(0.4)
Transactions with owners:								
Share-based payments	9	–	–	–	–	–	0.3	0.3
Dividend payment	14	–	–	–	(5.0)	–	–	(5.0)
Issue of ordinary shares	25	0.2	1.6	–	–	–	(1.8)	–
Purchase of own shares	25	–	–	–	–	(0.1)	–	(0.1)
Exercise of share options	25	–	–	–	–	0.6	(0.4)	0.2
At 30 September 2019		**20.7**	**36.4**	**(1.1)**	**1.1**	**–**	**105.1**	**162.2**

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 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	9	–	–	–	–	–	0.6	0.6
Dividend payment	14	–	–	–	–	–	(3.7)	(3.7)
Issue of ordinary shares	25	0.1	0.5	–	–	–	(0.6)	–
Purchase of own shares	25	–	–	–	–	(0.6)	–	(0.6)
Exercise of share options	25	–	–	–	–	0.1	–	0.1
At 30 June 2018		20.5	34.8	(1.1)	6.1	(0.5)	8.2	68.0
Total comprehensive loss for the period		–	–	–	–	–	(3.4)	(3.4)
Transactions with owners:								
Share-based payments	9	–	–	–	–	–	0.3	0.3
Dividend payment	14	–	–	–	(5.0)	–	–	(5.0)
Issue of ordinary shares	25	0.2	1.6	–	–	–	(1.8)	–
Purchase of own shares	25	–	–	–	–	(0.1)	–	(0.1)
Exercise of share options	25	–	–	–	–	0.6	(0.4)	0.2
At 30 September 2019		**20.7**	**36.4**	**(1.1)**	**1.1**	**–**	**2.9**	**60.0**

The accompanying notes form part of these financial statements.

Group statement of cash flows

for the 15-month period ended 30 September 2019

	Note	Fifteen months to 30 September 2019	Year ended 30 June 2018
Cash flow from operating activities			
Profit for the period/ year before tax		**25.0**	19.3
Adjustments for:			
– depreciation	16	**0.7**	0.3
– share–based payments	8	**0.3**	0.8
– revaluation of investment property	15	**(1.1)**	–
– gain on disposal of subsidiary		**–**	(0.1)
– interest expense	10	**9.4**	5.1
– interest receivable and similar income	11	**(1.7)**	(0.9)
– gain on sale of joint venture interest	20	**(12.6)**	–
– IFRS 15 opening adjustment		**0.2**	–
– share of profit of joint ventures	20	**(2.0)**	(1.0)
– share of profits of associates	20	**(0.2)**	–
Corporation tax payments		**(5.6)**	(4.0)
Change in working capital:			
– increase in inventories		**(50.8)**	(3.2)
– increase in trade and other receivables		**(7.9)**	(17.8)
– increase/(decrease) in trade and other payables		**7.9**	(12.8)
– increase in other financial liabilities		**0.4**	–
– increase in trading balance due to joint ventures	20	**4.1**	–
Net cash outflow from operating activities		**(33.9)**	(14.3)
Cash flow from investing activities			
Interest received	11	**1.0**	0.8
Purchases of property, plant and equipment	16	**(5.4)**	(0.9)
Purchases of intangible assets	19	**(0.3)**	–
Purchases of investment property		**(1.5)**	(0.2)
Purchases of quoted investments	17	**–**	(0.2)
Proceeds from sale of subsidiary		**–**	13.4
Loans provided to joint ventures	20	**(19.9)**	(7.6)
Amounts repaid by joint ventures		**–**	5.9
Distribution of profits from joint venture	20	**1.0**	0.8
Amounts repaid by associate	20	**2.6**	–
Net cash (outflow)/inflow from investing activities		**(22.5)**	12.0
Cash flow from financing activities			
Interest paid		**(7.0)**	(3.8)
Repayment of borrowings		**(20.0)**	(6.3)
New loans		**52.6**	30.6
Issue of zero dividend preference shares		**6.2**	–
Equity dividends paid to ordinary shareholders	14	**(5.0)**	(3.7)
Exercise of share options		**0.1**	–
Purchase of own shares		**–**	(0.6)
Net cash inflow from financing activities		**26.9**	16.2
Net (decrease)/increase in cash and cash equivalents		**(29.5)**	13.9
Net cash and cash equivalents at beginning of period/year		**40.4**	26.5
Net cash and cash equivalents at end of period/year	24	**10.9**	40.4

The accompanying notes form part of these financial statements.

Notes to the financial statements

for the 15-month period ended 30 September 2019

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.

On 6 June 2019, the Group and Company changed its accounting reference date from 30 June to 30 September so that the reporting timetable was more closely aligned to value recognition and the operational cycles of the business.

As a result of the change in the Group and Company's accounting reference date, the current period presented is 15 months in comparison to the comparative information which is for 12 months. The current period is therefore not entirely comparable with the prior year.

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 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. 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; and
- 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 does not present its own profit and loss account in these financial statements.

Going concern

The Group's business activities, together with factors likely to affect its future development and performance, are set out in the Strategic Report on pages 10 to 49. In particular, the management of the risks and uncertainties affecting the Group are set out on pages 30 to 34. The financial position of the Group, its borrowing facilities and headroom at 30 September 2019 are described in the Group Finance Director's review on pages 24 to 28. Further disclosures regarding the Group's financial instruments and exposure to credit and liquidity risk are set out in note 29 of the Financial Statements.

The Board has reviewed the Group's projected business activities, corresponding cash flow forecasts to 30 September 2021, available borrowing facilities and related covenant compliance. The Group currently has facilities totalling £48.0m that fall due for repayment in the 12 months from the date of signing these financial statements. It has also assessed sensitivity analysis based on the following downside scenarios:

- possible delay in significant land disposal by two or three months; and
- and a fall in house prices by 10% from the Group's budget prices.

As part of the Group's normal operations, it has secured a loan facility which could be drawn down in May 2020, should management conclude this is in the best interests of the business. This facility mitigates all downside scenarios referred to above.

The forecasts assume significant management fees receivable which are dependent on the sales of certain parcels of land. These receipts will be used to repay a revolving credit facility which expires in August 2020. The lender has confirmed that they expect this facility to be renewed upon expiry in any event.

Where the Group proposes to provide deferred consideration terms to potential purchasers of land, it would consider the credit worthiness of the counter-party and where ever possible procure security or a promissory note which could be discounted with a lender.

The Directors have considered the present economic climate, the current demand for land with planning consent and the state of the housing market in the geographic areas where the Group operates. The Group has significant forward sales of its residential homes under construction as well as a substantial order book for its partnership housing activity. It is also in negotiations for the sale of certain land assets within its land bank and expects to make sufficient disposals in the foreseeable future to ensure it has sufficient working capital for its requirements.

After making appropriate enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. 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 4 and are consistent with those applied in the Group's financial statements for the 15 month period to 30 September 2019 and year ended 30 June 2018, as amended to reflect the adoption of new standards, amendments and interpretations which became effective in the year as shown below.

Notes to the financial statements CONTINUED

for the 15-month period ended 30 September 2019

2. Changes in accounting policies continued

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 September 2019 period end and had no material impact on the financial statements.

- IAS 40 (amended) – Transfers of Investment Property;
- IFRS 2 (amended) – Share Based Payments; and
- Annual Improvements to IFRSs (2014-2016 Cycle)

IFRS 9 – Financial Instruments

IFRS 9, 'Financial instruments' ('IFRS 9'), replaces the provisions of IAS 39, 'Financial Instruments' that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7, 'Financial Instruments: Disclosures'.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15, 'Revenue from contracts with customers' ('IFRS 15'), establishes a principles based approach for revenue recognition and is based on the concept of recognising revenue for obligations only when they are satisfied and the control of goods or services is transferred. It applies to all contracts with customers, except those in the scope of other standards.

Information on the initial application of IFRS 9 and IFRS 15, including the impact on the financial position and performance of the Group, can be found in note 5.

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, with the exception of IFRS 16 where the expected impact is outlined below.

- Amendments to IFRS 9: Financial Instruments;
- Amendments to IAS 28: Long-term interests in Associates and Joint Ventures;
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement;
- Annual Improvements to IFRSs (2015-2017 Cycle);
- Amendments to IFRS 3 Business Combinations*;
- Amendments to IFRS 17: Insurance Contracts*;
- Amendments to References to the Conceptual Framework in IFRS Standards*; and
- IFRIC 23 Uncertainty over Income Tax Treatments.

* Standards and amendments not yet endorsed by the EU.

IFRS 16 Leases has also been endorsed and will be effective for the Group for the year ending on 30 September 2020.

IFRS 16 – Leases

IFRS 16 'Leases' was issued in January 2016 to replace IAS 17 'Leases' and is effective for accounting periods beginning on or after 1 January 2019.

IFRS 16 eliminates the classification of leases for lessees as either operating leases or finance leases as per IAS 17, and introduces a single lessee accounting model. For lessees, lease agreements will give rise to the recognition of an asset representing the right to use the leased item and a corresponding loan obligation for future lease payables. Lease costs will be recognised in the form of depreciation of the right to use asset and interest on the lease liability. Consequently, there will be a reduction in operating expenses and an increase in finance costs. The accounting for leases that are currently designated as finance leases will be largely unchanged under IFRS 16. The accounting for leases that are currently designated as operating leases will be fundamentally different to the current treatment of expensing the rental charges on a straight line basis. For lessors, IFRS 16 does not contain substantial changes compared to IAS 17, a lessor still has to classify leases as either finance or operating, depending on whether substantially all of the risk and rewards incidental to ownership of the underlying asset have been transferred. For a finance lease, the lessor recognises a receivable at an amount equal to the net investment in the lease which is the present value of the aggregate of lease payments receivable by the lessor and any unguaranteed residual value. If the contract is classified as an operating lease, the lessor continues to present the underlying assets.

The Group will apply the standard from its mandatory adoption date of accounting periods commencing on or after 1 January 2019 and intends to apply the modified retrospective approach.

As at the reporting date, the Group has non-cancellable operating lease commitments of £1.7m, see note 32. Of these commitments, approximately £0.1m relates to short-term leases which will both be recognised on a straight-line basis as expense in the income statement. For the remaining lease commitments, the Group expects to recognise lease liabilities of approximately £1.6m, and an increase to property, plant and equipment of approximately £1.6m, both of which will be discounted at the Group's incremental borrowing rate, which is currently being determined by the Directors, for the purposes of the adoption of the accounting standard.

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 4. 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

Cost of and net realisable value of inventories (note 22)

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. The uncertainty relates to both land and work in progress. Cost which requires estimation includes the cost of acquisition of sites, the cost of infrastructure and construction works, allocation of site wide costs 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.

Fair value of investment properties (note 15)

The fair value of materially completed investment property is determined by independent valuation experts using the open market value of existing use method, subject to current leases and restrictions, as this has been assessed currently as the best use of these assets. Investment properties awaiting construction are valued by the Directors using an appraisal system; critical accounting estimates relate to the forecasts prepared in order to assess the carrying value. See note 15 for information about valuation methodology and assumptions made.

Deferred consideration on transfer of beneficial interest in Cheshunt Lakeside Developments Limited (notes 20 and 23)

The Group discounts deferred consideration payable or receivable using the discounted cash flow method; the Group considers the expected timing of payments and receipts and uses the third party cost of debt capital as the most appropriate discount rate and these are considered to be significant estimates.

The Group sold its beneficial interest of 50% of Cheshunt Lakeside Developments Limited on deferred terms and estimate a discount to present value calculated from disposal. At the period end this resulted in an other receivable of £19.9m disclosed in note 23. Further details of Cheshunt Lakeside Developments Limited are provided in note 20.

The impact of a change in the discount rates by one percent up on the receipt would be a reduction in the receivable of £0.8m and the impact of a change in the discount rates by one percent down on the receipt would be an increase in the receivable of £1.6m.

Management do not envisage a timing opportunity where the receipt of the receivable could be brought forward. The impact of a delay in receipt of twelve months, at the current discount rate, would be a reduction in the receivable of £0.7m.

Significant judgements

Timing and recoverability of repayment – amounts due from joint ventures and associate (note 20)

Certain 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 and whether they will be recovered within the normal operating cycle of the business. Amounts are then disclosed as either due in less than one year or greater than one year accordingly. The recoverability of receivables are dependent on the future profitability of land are development sales. The judgements involved are the same as outlined above for inventories.

Likelihood of achieving planning – inventories (note 22)

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 Directors believe that, based on the Group's 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 taking account of 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. £0.4m (year ended 30 June 2018: £1.4m) of inventories is held at net realisable value. A provision of £0.2m (year ended 30 June 2018: £0.7m) was recognised during the period.

Capitalisation of borrowing costs (note 22)

The Group capitalises borrowing costs where there is a qualifying asset. The Directors must assess each site held within 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 periods. During the period, the Group capitalised £1.3m (year ended 30 June 2018: £1.1m) of borrowing costs. 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.

Management fee income (note 6)

The Group recognises revenue in respect of management services equal to the amounts entitled, invoiced or accrued. Each management fee formula in the contract reflects progress at any given time to the satisfaction of the contracts performance obligations which involves judgement.

There were a number of material management fee contracts that were either ongoing or commenced in the period. For each management contract there are a number of milestones and obligations. The Directors had to make significant judgements for each contract based on:

- whether each milestone constituted a distinct performance obligation;
- whether the obligations have been satisfied; and
- whether the revenue is recognised at a point in time or over time.

Notes to the financial statements CONTINUED

for the 15-month period ended 30 September 2019

3. Significant judgements, key assumptions and estimates continued

The significant judgements made were in relation to the following contracts:

Bucknalls

For the contract at Farrier's Wood, the Directors concluded the milestones in the scheme were not distinct from one another in the context of the contract. It was therefore concluded that there was a single performance obligation, to manage the scheme on behalf of their joint venture. Management considered that there was a significant level of integration between the various stages and the overall objective of the contract was to sell the development for maximum value. They further concluded that the income in relation to this contract should be recognised over time, given that the management of the project is over an agreed period, and the customer is receiving and consuming the benefits to their asset over the length of the contract.

Hillingdon Gardens

For the contract at Hillingdon Gardens, it was determined that there were a number of distinct performance obligations of which five were satisfied in the period to 30 September 2019. It was concluded that these were distinct on the basis the customer benefitted from each of the milestones and that these milestones were considered separable in the context of the contract. The performance obligations recognised were considered satisfied in the period as control of the relating service was transferred to customer before the period end. For the remaining performance obligations still to be satisfied, it was determined by the Directors that they will be recognised in future periods at a point in time, given that they fail to meet the criteria to be recognised over time.

Accounting for the investment in Cheshunt Lakeside Developments Limited and the associated put and call option arrangement (note 20)

In addition to a direct holding in Cheshunt Lakeside Developments Limited (CLDL) (see note 20), the Group held a put and call option over the other joint venture partner's 50% share. Certain conditions were attached to the options which needed to be met in order for either side of the option to be exercised. The Directors determined that the acquisition date of CLDL was 6 June 2019 given that this was considered to be the date where there were no conditions outside of Inland's control and therefore Inland had full control to exercise their option. It was therefore considered that from this date the Group had the ability to control CLDL and it should be consolidated as a subsidiary from this date.

Further judgement was exercised by the Directors as to whether CLDL constituted a business in determining the correct treatment for the acquisition. The Directors considered whether CLDL meets the definition of a business and therefore whether it should be accounted for as a business combination. It was determined that CLDL did not meet the definition of a business as the entity did not include significant inputs, outputs and processes that were capable of being managed together for providing a return to investors. The transaction was therefore treated as an asset acquisition.

Asset held for sale (note 18)

At 30 September 2019, the Directors' intention was to sell some investment properties over 12 months to 30 September 2020. These assets have been reclassified to assets held for sale at the expected disposal value after allowing for costs of disposal. The Directors have made a judgement that the properties will sell within 12 months.

Overages

Estimates are involved when determining how much revenue to recognise in relation to variable consideration where Inland Homes is entitled to an overage in relation to future sales at a site sold by Inland Homes to a customer. When determining how much of the variable revenue to recognise at the point of sale, the Directors estimate the amount that they would expect to receive based on market evidence for current house prices. They then consider the risk of a significant reversal of this revenue in future periods and constrain it accordingly.

Land and house building sales margins

There are significant estimates involved in determining the appropriate profit margin to recognise on land and residential sales. Assumptions are required to be made as to future costs to complete and future sales prices to be achieved on the remaining units. The Directors use detailed project appraisals for each development to determine the appropriate profit margin to recognise which forecasts the costs to complete on such developments and the anticipated sales prices, which has been determined based on the type, specification and location of the property. The financial outturn in both the current period and prior year relating to land and house building sales margins is disclosed in note 6.

Contract income revenue and profit recognition

The revenue and profit recognition on contract income involve significant judgement and estimates with regards to assessing the stage of completion of the development and the anticipated margin. Assumptions are required to be made as to the future costs to complete to determine the appropriate margin and this is determined through detailed project appraisals. The stage of the development is determined through monthly valuation surveys conducted by Inland Homes and the customer who then agree the value of the work completed. The financial outturn in both the current period and prior year relating to contract income and revenue and profit recognition is disclosed in note 6.

4. 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 September 2019. 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 and development agreements. Further information can be found in note 20.

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

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

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

Joint ventures and associate

Joint ventures are entities in which the Group has shared control with another entity, established by contractual agreement. 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. Joint ventures and associates are initially recorded in the Group Statement of Financial Position at cost and are accounted for using the equity method. All subsequent changes to the share of interest in the equity of joint ventures and associates are recognised in the Group's carrying amount of the investment. Changes resulting from the profit or loss generated are recognised in the Group's carrying amount of the investment and in 'share of profit of joint ventures' for joint ventures and 'share of profit of associate' for 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. Both realised and unrealised gains on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's investment in joint ventures and associates. 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 and associates are consistent with those of the Group.

The Company investments in joint ventures are held at cost.

Business combinations

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

Revenue

In the current year, the Group adopted IFRS 15 'Revenue from Contracts with Customers'. This establishes a principles based approach for revenue recognition and is based on the concept of recognising revenue for obligations only when they are satisfied and the control of goods or services is transferred.

The standard is applicable to sales of land and sales of reversionary freehold, sales of residential units, property construction services and management fees from management of sites owned by third parties but excludes rental income which is accounted for within the scope of IAS 17 'Leases'. The adoption of IFRS 15 has not had a significant impact on the revenue recognition policies of the Group or treatment of revenue undertaken in the prior year period to 30 June 2018.

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.

Overages

Any variable consideration on overages is estimated at the point of sale taking into consideration the time to recover overage amounts as well as other factors which may give rise to variability. It is only recognised to the extent that it is highly probable that there will not be a significant reversal in the future and is reassessed throughout the duration of the sales contracts.

Sale of land and sales of freehold

Revenue from the sale of land and reversionary freeholds are recognised at a point in time on legal completion when all the following conditions have been satisfied:

- the Group has transferred to the buyer the control 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.

In respect of land sales, a contract is established through a formal purchase process that involves the formal exchange of contracts facilitated by legal advisors.

Notes to the financial statements CONTINUED

for the 15-month period ended 30 September 2019

By nature of property transactions, all offers to purchase are subject to the customer successfully securing the required funds. At the point when contracts are exchanged payment terms are agreed and funding to pay the purchase consideration must be secured and verified. This ensures that collectability is probable i.e. more likely than not, prior to commencement of the contract.

Sale of residential units

In respect of sales of residential units, a contract is established through a formal purchase process that involves the formal exchange of contracts facilitated by legal advisors. Revenue from the sale of residential units is recognised at a point in time on legal completion at the point where the Group has transferred to the buyer the control of the units.

By nature of property transactions, all offers to purchase are subject to the customer successfully securing the required funds. At the point when contracts are exchanged payment terms are agreed and funding to pay the purchase consideration must be secured and verified. This ensures that collectability is probable i.e. more likely than not, prior to commencement of the contract.

Contract income

The Group acts as a main contractor on certain building projects, primarily on behalf of the 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. Revenue on construction contracts is recognised over time as the performance obligations are satisfied. The output method is used to measure the progress of Inland's performance over the duration of the contract. This is done monthly through valuation surveys conducted by Inland and by the customer respectively who then agree the value of work completed. The agreed valuation is used to determine the revenue to be recognised for the period. Where the outcome of a contract on which revenue is recognised over time cannot be estimated reliably, revenue is recognised to the extent of contract costs incurred.

Management fee income

For each management contract there are a number of milestones, which varies contract to contract, but in all cases includes a planning and a disposal obligation. The Directors must exercise judgement over whether each milestone constitutes a distinct performance obligation. In doing do they consider whether each milestone has a single commercial objective, whether any of the milestones are interdependent on any other milestone, and whether the service or goods being provided represents a single performance obligation. In determining the number of performance obligations, the Directors also consider the level of integration between the milestones.

Once the number of performance obligations has been determined, the Directors will exercise further judgement to allocate the consideration to each obligation, which is based on the stand-alone selling price of each performance obligation. Once the Group considers that the outcome of the contract can be reliably estimated then revenue and profit is recognised based on the proportion of the contract that is completed. There is also judgement in considering whether the obligations have been satisfied, and whether the revenue is recognised at a point in time or over time. This is assessed on a performance obligation by performance obligation basis. In general, the Directors have assessed that any construction or management of construction obligations are satisfied over time, given that Inland Homes' work enhances an asset controlled by the customer. The planning and disposal obligations have been assessed to be recognised at a point in time. Refer to note 6.

Golden brick income

Sales of land where title transfers prior to construction beginning (or at 'golden brick') are considered to be a distinct performance obligation.

Revenue from land sales is recognised at a point in time, being the completion of contracts usually achieved at 'golden brick'. The separate construction element of the contract is recognised over time in accordance with the Group's policy above for construction contracts.

Rental income

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

Property, plant and equipment

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

Disposal of assets

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the Group Income Statement.

Depreciation

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

Fixtures and fittings	– 25%
Office equipment	– 25%
Motor vehicles	– 25%
Modular housing	– Over useful economic life estimated at 40 years

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

Investment property

Investment properties are those properties which are not occupied by the Group and which are held for long-term rental yields, capital appreciation or both.

Investment property also includes investment property under construction that will be developed for future use as investment property.

Investment properties are initially measured at cost, including related transaction costs. At each subsequent reporting date they are remeasured to their fair value. Movements in fair value are included in the Group Income Statement. Investment properties are valued by the Directors based on up to date market information.

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.

Intangible assets

Intangible assets, comprising costs incurred in the development phase of new business models and associated set-up costs, are stated at cost less provisions for both amortisation and impairments. Development phase costs relate to new business models either separately acquired or acquired as part of a business combination are amortised over their estimated useful lives, generally not exceeding 20 years, using the straight-line basis, from the time they are available for use. The estimated useful lives for determining the amortisation charge considers the expected business model life. Asset lives are reviewed, and where appropriate adjusted, annually.

Research costs are recognised in the Income Statement as incurred.

The rates generally applicable are:

Enterprise Resource Planning system	– 10%
Development costs	– 25%
Website costs	– 25%
Other computer software	– 25%

Inventories

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

Assets held for sale

Non-current assets are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs of disposal.

Following their classification as held for sale, non-current assets are not depreciated.

The results of operations disposed during the year are included in the consolidated statement of comprehensive income up to the date of disposal.

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.

Employee benefits

Defined contribution retirement benefit scheme

The Group operates a defined contribution retirement benefit scheme pension and 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 and Company 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.

Notes to the financial statements CONTINUED

for the 15-month period ended 30 September 2019

4. Significant accounting policies continued

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

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises amounts due from joint ventures (refer to note 20) where the terms of the loan are inconsistent with a basic lending agreement and are therefore not solely payments of principal and interest. This balance is carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income in the finance income or expense line. Other than amounts due from joint ventures, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for all other receivables are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses. For those for which credit risk has increased significantly, lifetime expected credit losses are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's financial assets measured at amortised cost comprise trade and other receivables, cash and cash equivalents and amounts due from joint ventures (other than those held at fair value through profit and loss) and associates in the consolidated statement of financial position.

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.

Fair value through other comprehensive income

The Group has investments which are not accounted for as subsidiaries, associates or joint ventures. For those investments, the Group has made an irrevocable election to classify the investments at fair value through other comprehensive income rather than through profit or loss as the Group considers this measurement to be the most representative of the business model for these assets. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments carrying amount.

Borrowing costs

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

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 initially recognised at fair value net of any transaction costs. Subsequently they 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.

Share capital and other equity reserves

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share premium represents amounts subscribed for share capital in excess of nominal value less directly attributable issue costs.

Employee benefit trust represents the purchase of the Company's own shares and are deducted from total equity until they are issued to employees under the Long Term Incentive Plan.

Special Reserve represents the capitalisation of the Parent Company's reserves to allow for the possibility of distributions in the future. A copy of this resolution is available from Companies House.

Treasury Reserve 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.

Retained earnings represents cumulative net gains and losses recognised in the Group income statement together with other items such as dividends and share-based payments.

Guarantees

All guarantees are deemed to be insurance contracts. A financial guarantee is recognised where a contract requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

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.

5. Adoption of new accounting standards

In the current period, the Group has adopted the following accounting standards:

- IFRS 9 'Financial Instruments', and
- IFRS 15 'Revenue from Contracts with Customers'.

IFRS 9

IFRS 9, 'Financial instruments' replaces the provisions of IAS 39 which relates to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards such as IFRS 7, 'Financial Instruments: Disclosures'.

Management have applied the fully retrospective application of IFRS 9 and have therefore carried out an assessment of the implication on the Group's financial position for the comparatives at 30 June 2017 and 30 June 2018. In accordance with the Management's assessment below, comparative figures have not been restated. The transition to IFRS 9 did not have an impact on the Group's opening retained earnings, as a result a reconciliation of retained earnings is not required.

Financial assets

All financial assets within the scope of IFRS 9 are divided into the following categories: Amortised Cost and Financial Assets at Fair Value Through Profit and Loss (FVPL). Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired.

The Directors have reviewed and assessed the Group's financial assets and concluded that the application of IFRS 9 has had no impact on the measurement of the Group's financial assets. Financial assets have been reclassified from Loans and Receivables to Amortised Cost upon adoption of IFRS 9. Equity investments that were previously classified as Available for Sale have been reclassified to Fair Value through other comprehensive income and amounts due from joint ventures that were measured at fair value through profit or loss continue to be measured as such.

Financial liabilities

All the Group's financial liabilities are held at amortised cost. The IFRS 9 requirements regarding the classification and measurement of financial liabilities are broadly consistent with the previous standard, IAS 39. Accordingly, the adoption of IFRS 9 has had no impact on the classification and measurement of the Group's financial liabilities.

Impairment of financial assets

IFRS 9 requires an expected credit loss approach to impairment rather than the incurred credit loss model under IAS 39. This requires the assessment of the expected credit loss on each class of financial asset at the reporting date. This assessment should take into consideration any changes in credit risk since the initial recognition of the financial asset.

Management's assessment of IFRS 9 determined that the main area of potential impact was impairment provisioning on trade receivables, and balances due from joint ventures and associates 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. No adjustments were considered necessary in respect of trade receivables, balances due from joint ventures and associates for the Group and balances due from subsidiaries for the Company. See note 31 for further analysis of conclusions reached.

Notes to the financial statements CONTINUED

for the 15-month period ended 30 September 2019

5. Adoption of new accounting standards

continued

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision. No adjustments were considered necessary for trade receivables following the assessment using the simplified approach which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment provisions for other receivables are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised. No adjustments were considered necessary for other receivables.

IFRS 15

IFRS 15, 'Revenue from contracts with customers' ('IFRS 15'), establishes a principles based approach for revenue recognition and is based on the concept of recognising revenue for obligations only when they are satisfied and the control of goods or services is transferred. 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 IAS 17 at the reporting date.

Management have applied the modified retrospective application of IFRS 15 and have therefore carried out an assessment of the implication on the Group's financial position for the comparatives at 30 June 2017 and 30 June 2018.

The implementation of IFRS 15 resulted in some refinement in the timing of recognition of commissions paid on contract costs that exceeded 12 months for the year ended 30 June 2018. Management's review of contracts and commissions paid thereon revealed one contract that exceeded 12 months where commission was paid. The amount of £0.3m was paid during the fifteen month period ended 30 September 2019 and the majority component of the revenue was already recognised, which would result in recognition during 2018. A prior year adjustment has not been recognised on the grounds of immateriality.

The transition to IFRS 15 did not have a material impact on the Group's opening retained earnings. Contract income has been recognised on the output method with adjustment required to the opening reserves of £0.2m in respect of one contract.

The Group implements contracts in place for its commercial activities and in each case there is a link between the timing of the satisfaction of a performance obligation or performance obligations. As part of a property and real estate activity, there is usually a small delay between exchange of contracts and completion of contracts and then subsequent completion of performance obligations. The timing between those points depends on the commercial terms in each case but is usually immediate on the completion of the performance obligation mainly less than one year from completion of the performance obligation. Where the payment occurs more than one year after the completion of the performance obligation the contract asset is disclosed separately and discounted appropriately.

In determining the judgements, and changes in the judgements, made in applying IFRS 15 that have significantly affected the determination of the amount and timing of revenue from contracts with customers the Group considers the judgements, and changes in the judgements, used in determining the following:

- The timing of satisfaction of performance obligations;
- The transaction price and the amounts allocated to performance obligations (including any adjustments to the consideration and whether any of that consideration is or could become constrained);
- Allocating the transaction price, including estimating stand-alone selling prices of promised goods or services and allocating discounts and variable consideration to a specific part of the contract; and
- Measuring obligations for returns, refunds and other similar obligations.

There have been additional balance sheet reclassifications upon transition to IFRS 15. £16.1m previously disclosed as trade receivables is now classified as trade receivables from contract revenue with customers, as outlined in note 23.

When performance obligations are satisfied over time, the Group uses the output method since measurement of works on an application and certification basis with the respective customer depiction of the transfer of goods and services under such contracts. Contract income and certain performance obligations of management fee contracts are the Group's income stream recognised over time. The remaining revenue streams are recognised at a point in time. A customer gains control of goods and services at such time their contractual liability to the Group has been extinguished.

Specific disclosure of contracts and their associated performance obligations and payment terms is not made as it is commercially sensitive.

The Group has applied a practical expedient whereby the Group does not need to disclose performance obligations not yet satisfied where either the performance obligation is part of a contract that originally was expected to have a duration of one year or less or the entity has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date.

6. 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. This is also deemed to be the appropriate analysis of the disaggregation of revenues required by IFRS 15.

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

15-month period to 30 September 2019	Land sales £m	Management fees £m	Contract income £m	House building £m	Rental income £m	Investment properties £m	Other £m	Total £m
Revenue from contracts with customers	29.2	18.6	62.6	34.5	–	–	–	144.9
Other Revenue	–	–	–	–	1.5	1.5	–	3.0
Cost of sales	(24.3)	(2.5)	(57.1)	(30.6)	(0.9)	–	–	(115.4)
Gross profit	4.9	16.1	5.5	3.9	0.6	1.5	–	32.5
Administrative expenses	–	–	–	–	–	–	(15.7)	(15.7)
Gain on sale of joint venture interest		–	–	12.6	–	–	–	12.6
Share of profit of joint ventures	–	–	–	2.0	–	–	–	2.0
Share of profit of associate	–	–	–	0.2	–	–	–	0.2
Revaluation of investment property	–	–	–	–	–	1.1	–	1.1
Operating profit/(loss)	4.9	16.1	5.5	18.7	0.6	2.6	(15.7)	32.7
Net finance cost	(1.5)	0.7	–	(4.8)	–	(1.8)	(0.3)	(7.7)
Profit/(loss) before tax	3.4	16.8	5.5	13.9	0.6	0.8	(16.0)	25.0
Tax charge	(0.1)	(0.3)	(0.1)	(0.2)	–	–	0.3	(0.4)
Total profit/(loss) for the period	3.3	16.5	5.4	13.7	0.6	0.8	(15.7)	24.6
Other comprehensive income	–	–	–	–	–	–	(0.4)	(0.4)
Total profit and comprehensive income/(loss) for the period	3.3	16.5	5.4	13.7	0.6	0.8	(16.1)	24.2

Notes to the financial statements CONTINUED

for the 15-month period ended 30 September 2019

6. Segmental information continued

Year ended 30 June 2018	Land sales £m	Management fees £m	Contract income £m	House building £m	Rental income £m	Investment properties £m	Other £m	Total £m
Revenue from contracts with customers	59.3	2.4	12.0	70.2	–	1.3	–	145.2
Other Revenue	–	–	–	–	0.7	–	1.5	2.2
Cost of sales	(41.0)	–	(10.2)	(62.5)	(0.1)	(0.3)	(1.5)	(115.6)
Gross profit	18.3	2.4	1.8	7.7	0.6	1.0	–	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	2.4	1.8	8.5	0.8	1.1	(9.4)	23.5
Net finance cost	(1.6)	–	–	(0.9)	–	(1.2)	(0.5)	(4.2)
Profit/(loss) before tax	16.7	2.4	1.8	7.6	0.8	(0.1)	(9.9)	19.3
Tax charge	(3.1)	(0.2)	(0.1)	(0.5)	–	(0.1)	0.1	(3.9)
Total profit/(loss) for the year	13.6	2.2	1.7	7.1	0.8	(0.2)	(9.8)	15.4

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 reversionary 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 period, no sales transaction (year ended 30 June 2018: one land sale) with a customer accounted for more than 10% of revenue.

Disaggregation of revenue

The Group has disaggregated revenue into point in time and over time in the following table which is intended to:

- depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic date; and
- enable users to understand the relationship with revenue segment information provided in note 6.

Rental income and investment properties income is not disclosed in the table below as these revenue sources do not fall under the IFRS 15 accounting standard.

Fifteen month period to 30 September 2019	**Land sales £m**	**Management fees £m**	**Contract income £m**	**House building £m**	**Total £m**
Point in time	**29.2**	**16.7**	**–**	**34.5**	**80.4**
Over time	**–**	**1.9**	**62.6**	**–**	**64.5**
Total Revenue	**29.2**	**18.6**	**62.6**	**34.5**	**144.9**

30 September 2019	Land £m	House building £m	Contract income £m	Rental income £m	Investment properties £m	Management Fees £m	Other £m	Total £m
ASSETS								
Non-current assets								
Investment properties	–	–	–	–	49.3	–	–	49.3
Property, plant and equipment	–	–	–	5.2	–	–	1.1	6.3
Intangible assets	–		–	0.3	–	–	–	0.3
Investments	–	–	–	–	–	–	1.1	1.1
Investment in joint ventures	–	8.0	–	–	–	–	–	8.0
Amounts due from joint ventures	–	1.0	–	–	–	–	–	1.0
Investment in associate	–	1.3	–	–	–	–	–	1.3
Other receivables	1.7	19.9	0.2	–	–	–	–	21.8
Total non-current assets	1.7	30.2	0.2	5.5	49.3	–	2.2	89.1
Current assets								
Inventories	77.2	115.2	–	–	–	–	–	192.4
Trade and other receivables	11.8	1.0	14.9	–	–	15.7	2.0	45.4
Asset held for sale	–		–	–	4.7	–	–	4.7
Amounts due from associate	–	3.3	–	–	–	–	–	3.3
Amounts due from joint ventures	–	34.8	–	–	–	–	–	34.8
Cash and cash equivalents	–	–	–	–	–	–	10.9	10.9
Total current assets	89.0	154.3	14.9	–	4.7	15.7	12.9	291.5
Total assets	90.7	184.5	15.1	5.5	54.0	15.7	15.1	380.6
LIABILITIES								
Current liabilities								
Bank loans and overdrafts	48.0	–	–	–	–	–	–	48.0
Trade and other payables	16.8	13.1	14.3	–	1.2	–	2.3	47.7
Corporation tax	–	–	–	–	–	–	2.2	2.2
Other financial liabilities	4.1	–	–	–	–	–	–	4.1
Total current liabilities	68.9	13.1	14.3	–	1.2	–	4.5	102.0
Non-current liabilities								
Bank loans	1.1	53.0	–	–	28.0	–	–	82.1
Other loans	–	7.2	–	–	–	–	–	7.2
Zero Dividend Preference shares	–	–	–	–	–	–	25.9	25.9
Deferred tax	–	–	–	–	1.2	–	–	1.2
Total non-current liabilities	1.1	60.2	–	–	29.2	–	25.9	116.4
Total liabilities	70.0	73.3	14.3	–	30.4	–	30.4	218.4
Net assets	20.7	111.2	0.8	5.5	23.6	15.7	(15.3)	162.2

Notes to the financial statements CONTINUED

for the 15-month period ended 30 September 2019

6. Segmental information continued

30 June 2018	Land[1] £m	House building £m	Contract income £m	Rental income £m	Investment properties £m	Management Fees £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	11.5	6.3	8.2	–	1.3	2.4	0.7	30.4
Amounts due from joint ventures	–	19.0	–	–	–	–	–	19.0
Amounts due from associates	–	2.8	–	–	–	–	–	2.8
Cash and cash equivalents	–	–	–	–	–	–	40.4	40.4
Total current assets	96.5	79.3	8.2	–	1.3	2.4	41.1	228.8
Total assets	107.5	84.8	8.2	–	54.1	2.4	42.6	299.6
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 liabilities	51.1	42.2	2.9	–	28.8	–	32.2	157.2
Net assets	56.4	42.6	5.3	–	25.3	2.4	10.4	142.4

[1] Included within land inventories above is £15.3m (2018: £6.8m) relating to a hotel.

All assets and revenues arose solely in the United Kingdom.

7. Expenses by nature

	Fifteen months to 30 September 2019 £m	Year ended 30 June 2018 £m
Depreciation	**0.7**	0.3
Operating lease rentals	**0.4**	0.1
Fees paid to BDO LLP in respect of:		
– audit of the company and consolidated accounts		
– current year	**0.3**	0.1
– prior year	**0.1**	0.1

Non-audit services fees for the period were £18,000 in relation to the interim review (year to 30 June 2018: £18,000).

8. Employee costs

Details of the Directors remuneration are given in the Remuneration Committee report on pages 59 to 63.

The Directors of the Company who served during the period are considered to be key management personnel (year ended 30 June 2018: 8). Having considered the key decision makers within the Group and in line with its peer group within the industry, the Directors reassessed those considered to be key management personnel. The combined emoluments for the key management personnel (relating to the period they were a Director) based upon amounts included in the Group Financial Statements, are set out in the Remuneration Committee report on page 63. Comparatives with the previous twelve-month reporting period are also provided below.

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

	Fifteen months to 30 September 2019 £m	Year ended 30 June 2018 £m
Wages and salaries	**15.0**	8.1
Social security costs	**1.7**	0.9
Pension costs - defined contribution plans	**0.4**	0.2
Share-based payments	**0.3**	0.6
	17.4	9.8
Amount capitalised to inventories (note 22)	**(8.1)**	(3.0)
	9.3	6.8

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

	Fifteen months to 30 September 2019	Year ended 30 June 2018
Key management personnel	**3**	8
Administration	**135**	85
	138	93

Employee costs in respect of key personnel (excluding Directors) during the year ended 30 June 2018 were as follows:

	Year ended 30 June 2018 £m
Wages and salaries	1.0
Bonuses	0.2
Social security costs	0.2
Pension	0.1
	1.5

Please see the table in the Remuneration Committee report on page 63 for details of the employee costs of the Directors.

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

Notes to the financial statements CONTINUED

for the 15-month period ended 30 September 2019

9. 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 are still employed by the Company at the time of the options being exercised. 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 59 to 63.

Year of grant	Exercise Price p	Date from which exercisable	Expiry date	Outstanding at 1 July 2018	Issued	Exercised	Lapsed	Outstanding at 30 September 2019	Exercisable
For the period ended 30 September 2019									
2009	**16.50**	**17/12/2012**	**16/12/2019**	**580,000**	**–**	**(400,000)**	**–**	**180,000**	**180,000**
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**	**170,000**	**–**	**–**	**–**	**170,000**	**170,000**
2013	**32.50**	**18/06/2016**	**17/06/2023**	**390,000**	**–**	**–**	**–**	**390,000**	**390,000**
2015	**70.25**	**22/06/2018**	**21/06/2025**	**340,000**	**–**	**–**	**(50,000)**	**290,000**	**290,000**
2018	**67.00**	**17/07/2021**	**16/07/2028**		**1,555,000**	**–**	**(135,000)**	**1,420,000**	**–**
2019	**61.30**	**18/03/2022**	**17/03/2029**		**500,000**	**–**	**–**	**500,000**	**–**
				2,980,000	**2,055,000**	**(400,000)**	**(185,000)**	**4,450,000**	**2,530,000**

Year of grant	Exercise Price p	Date from which exercisable	Expiry date	Outstanding at 1 July 2017	Issued	Exercised	Lapsed	Outstanding at 30 June 2018	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

	30 September 2019	30 June 2018	30 June 2017
Weighted average exercise price of share options:			
Exercisable	**26.23p**	25.66p	20.30p
Non-exercisable	**65.52p**	n/a	70.25p
Total	**43.18p**	25.66p	27.60p
Weighted average remaining contracted life of share options:			
Exercisable	**2.11 years**	3.17 years	3.79 years
Non-exercisable	**8.97 years**	n/a	7.98 years
Total	**5.07 years**	3.17 years	4.27 years

The weighted average exercise price of share options exercised and lapsed was 16.50p (2018: 26.07p) and 67.88p (2018: 70.25p) respectively. The weighted average share price at which share options were exercised during the period was 51.20p (2018: 64.00p).

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

The share-based payment charged to the Income Statement for the period ended 30 September 2019 is £0.3m (year ended 30 June 2018: £0.6m) with a corresponding deferred tax asset at that date of £0.1m (2018: £0.1m) and £0.3m (2018: £0.6m) of this charge relates to the Directors.

At 30 September 2019, there were 6,833,004 (2018: 9,647,928) 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 59 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 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 59 to 63.

10. Finance cost

	Fifteen months to 30 September 2019 £m	Year ended 30 June 2018 £m
Interest expense:		
– bank borrowings	**3.9**	3.1
– non bank borrowings	**3.6**	1.3
– amortisation of loan arrangement fees and other fees	**1.7**	0.7
– zero dividend preference shares	**1.5**	1.1
Gross finance costs	**10.7**	6.2
Finance costs capitalised (note 22)	**(1.3)**	(1.1)
	9.4	5.1

Finance costs of £1.3m (year to 30 June 2018: £1.1m) have been capitalised on inventories in the period in accordance with IAS23 Borrowing Costs (see note 22), using the Group's cost of borrowing for that loan specific to the development in question.

11. Finance income

	Fifteen months to 30 September 2019 £m	Year ended 30 June 2018 £m
Interest from loans to joint ventures and associates	**0.7**	0.8
Other interest receivable	**0.3**	0.1
Notional interest income	**0.7**	–
	1.7	0.9

12. Tax charge

	Fifteen months to 30 September 2019 £m	Year ended 30 June 2018 £m
Current tax charge	**1.1**	4.0
Deferred tax credit (note 21)	**(0.7)**	(0.1)
Total	**0.4**	3.9

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:

	Fifteen months to 30 September 2019 £m	Year ended 30 June 2018 £m
Profit before tax	**25.0**	19.3
Expected tax charge based on the standard rate of corporation tax in the UK of 19.0% (2018: 19.0%)	**4.8**	3.7
Expenses not deductible for tax purposes	**0.1**	0.1
ZDP interest not deductible for tax purposes	**0.3**	0.2
Capital losses	**(0.2)**	(0.1)
Adjustments to tax charge in respect of previous periods	**(0.5)**	–
Income not deductible for tax purposes	**(2.4)**	–
Prior year capital losses now recognised	**(1.6)**	–
Other items	**(0.1)**	–
Tax charge	**0.4**	3.9

Notes to the financial statements CONTINUED

for the 15-month period ended 30 September 2019

13. Earnings per share

Number of shares

	Earnings per share Weighted average Fifteen months to 30 September 2019 '000	Year ended 30 June 2018 '000
For use in basic measures	**205,285**	201,621
Dilutive effect of:		
– share options	**1,500**	1,844
– deferred bonus shares	**1,823**	1,763
– growth shares	**2,397**	5,790
For use in diluted measures	**211,005**	211,018

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 period end.

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.

During the period ended 30 September 2019, the Group purchased 200,000 shares. On 24 October 2018, 849,241 shares were transferred from the treasury reserve to satisfy employee share options exercised within the terms of the Company's share option scheme. In several transactions during August and September 2019, the Group sold 175,779 shares. At 30 September 2019, no shares were held in treasury.

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. On 19 July 2018, Stephen Wicks transferred 248 vested LTIP shares to the Company in exchange for the issue of 2,814,924 shares in the Company as referred to in the Remuneration Committee report on pages 59 to 63.

Basic and diluted EPS

	Fifteen months to 30 September 2019	Year ended 30 June 2018
Profit attributable to equity shareholders (£m)	**24.2**	15.4
Earnings per share	**11.79p**	7.64p
Diluted earnings per share	**11.47p**	7.30p

14. Dividends

	Payment date	Dividend per share p	**2019 £m**	2018 £m
15-month period to 30 September 2019				
2018 final dividend	25 January 2019	1.55	**3.2**	–
2019 interim dividend	03 July 2019	0.85	**1.8**	–
2019 interim dividend	12 June 2020	2.25	**–**	–
Distribution of current year profit			**5.0**	–
Year to 30 June 2018				
2018 interim dividend	29 June 2018	0.65	**–**	1.3
2017 final dividend	26 January 2018	1.20	**–**	2.4
Distribution of prior year profit			**–**	3.7
Dividends as reported in the Group statement of changes in equity			**5.0**	3.7

Dividends are not paid on the shares owned by the Employee Benefit Trust. During the period no dividends were received by the Company from its subsidiaries (2018: £11.0m).

15. Investment properties

	Commercial properties £m	**Residential properties £m**	**Development land £m**	**Assets under construction £m**	**Total £m**
Fair value					
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
Additions	2.5	0.2	0.5	1.2	4.4
Fair value adjustment	0.1	0.3	0.7	–	1.1
Transfer (to)/from inventories	–	(6.3)	2.0	–	(4.3)
Transfer to assets held for sale	–	(4.7)	–	–	(4.7)
At 30 September 2019	**2.6**	**37.0**	**8.5**	**1.2**	**49.3**

Valuation techniques

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 transactions in consultation with a local property agent.

Notes to the financial statements CONTINUED

for the 15-month period ended 30 September 2019

15. Investment properties continued

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 £8.5m (2018: £5.3m). The Directors are of the opinion that developing the site reflects the highest and best use of this asset.

Commercial properties

The Group's commercial 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 yields achieved in recent transaction in consultation with a local property agent.

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 hierarchy during the period ended 30 September 2019 (year to 30 June 2018: None).

			Increase/(decrease)	
Sensitivity analysis	Variable	Variation	**2019 £m**	2018 £m
Commercial properties	House prices	+5%	**0.1**	n/a
		–5%	**(0.1)**	n/a
Residential properties	Rental values	+5%	**1.9**	2.4
		–5%	**(1.9)**	(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

Where investment properties are valued on a yield basis the impact of sensitising of the yield would be immaterial.

Income and expense

During the period ended 30 September 2019, £1.5m (year ended 30 June 2018: £1.3m) rental and ancillary income from investment properties was recognised in the Group Income Statement. Direct operating expenses, including repairs and maintenance, arising from investment property that generated rental income amounted to £0.3m (year ended 30 June 2018: £0.3m). The Group did not incur any direct operating expenses arising from investment properties that did not generate rental income (year ended 30 June 2018: £nil).

Restrictions and obligations

At 30 September 2019 there were no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal (year ended 30 June 2018: None). There are no obligations (year ended 30 June 2018: None) to construct or develop the Group's residential or development land investment property.

At 30 September 2019, the historical cost of the Group's investment properties was £18.3m (at 30 June 2018: £14.7m). Certain of the investment properties are secured against the Group's borrowings. For details see note 28.

16. Property, plant and equipment

Group	Modular housing £m	Motor vehicles £m	Office equipment £m	Fixtures and fittings £m	Total £m
Cost					
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
Additions	4.7	–	0.7	0.3	5.7
Disposals	–	(0.1)	–	–	(0.1)
At 30 September 2019	**5.5**	**0.3**	**1.3**	**0.9**	**8.0**
Depreciation					
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
Depreciation charge	0.3	0.1	0.2	0.1	0.7
Disposals	–	(0.1)	–	–	(0.1)
At 30 September 2019	**0.3**	**0.3**	**0.6**	**0.5**	**1.7**
Net book value					
At 30 September 2019	**5.2**	**–**	**0.7**	**0.4**	**6.3**
At 30 June 2018	0.8	0.1	0.2	0.2	1.3
At 30 June 2017	–	0.2	0.2	0.3	0.7

17. Investments in quoted companies

Group	Quoted investments £m
Cost	
At 30 June 2018	0.2
Additions	1.3
Revaluation	(0.4)
At 30 September 2019	**1.1**

At the balance sheet date, the carrying value of investments was £1.1m.

18. Assets held for sale

The assets held for sale relate to surplus existing investment properties at Wilton Park which will not be developed. The assets were transferred based on a Directors' valuation of £4.7m. A loss of £0.2m was recognised on transfer as a result of selling costs. These assets were being marketed in September 2019 and management expect disposal to occur within 12 months of the balance sheet date.

19. Intangible assets

Group	Quoted investments £m
Cost	
At 30 June 2018	–
Additions	0.3
At 30 September 2019	**0.3**

Intangible assets relate to development costs of the Hugg Homes brand capitalised under IAS 38 'Intangible assets'.

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for the 15-month period ended 30 September 2019

20. Investments in Group undertakings

At 30 September 2019, 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	Real estate development	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 Bermondsey Limited	Real estate development	100%
Inland Limited	Real estate development	100%
Inland Commercial Limited		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 Commercial Property Limited	Real estate development	100%
Inland Homes 2013 Limited	Holding company	100%
Inland Homes Developments Limited	Real estate development	100%
Merrielands Crescent Dagenham LLP	Real estate development	100%
Inland Housing Limited	Real estate development	100%
Inland Partnerships Limited	Construction of domestic buildings	100%
Inland Property Finance Limited	Provision of finance	100%
Inland Property Limited	Real estate development	100%
Inland ZDP plc	Provision of finance	100%
Leighton Developments Limited	Real estate development	100%
Poole Investments Limited	Real estate development	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 development	50%
Bucknalls Developments Limited	Real estate development	50%
Cheshunt Lakeside Developments Limited	Real estate development	50%
Delamare Estate (Cheshunt) 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%
West Drayton Developments Limited	Real estate development	25%
Interest in associate		
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 Burnham Yard, London End, Beaconsfield, Buckinghamshire, HP9 2JH, 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 associate listed above are accounted for using the equity method.

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 period ended 30 September 2019, the Group incorporated and disposed of Hillingdon Properties Limited (formerly Inland Developments). No profit or loss arose on this disposal. During the year ended 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.

Group

Investment in joint ventures and associate

	Investment in joint ventures					Investment in associate	
	Bucknalls Developments £m	Cheshunt Lakeside Developments £m	Europa Park £m	Gardiners Park £m	Subtotal £m	Troy Homes £m	Total £m
Cost							
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
Share of profit after tax	0.7	0.3	1.0	–	2.0	0.2	2.2
Receipts from joint ventures	–	–	(1.0)	–	(1.0)	–	(1.0)
Exercise of call option*	–	13.8	–	–	13.8	–	13.8
Disposal of 50% beneficial* interest	–	(7.2)	–	–	(7.2)	–	(7.2)
Movement during the period	0.7	6.9	–	–	7.6	0.2	7.8
At 30 September 2019	**0.7**	**7.3**	**–**	**–**	**8.0**	**1.3**	**9.3**

* See further details later in this note under Cheshunt Lakeside Developments Limited.

Amounts due from associate

	As at 30 September 2019 £m	As at 30 June 2018 £m
Current		
Other receivables	**0.2**	2.8
Loans	**3.1**	–
Non-current		
Loans	**–**	3.0
Total amounts due from associate	**3.3**	5.8

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.

Notes to the financial statements CONTINUED

for the 15-month period ended 30 September 2019

20. Investments in Group undertakings continued

Amounts due from/(to) joint ventures

		As at 30 September 2019 £m	As at 30 June 2018 £m
Current			
Bucknalls Developments Limited	*held at carrying value*	**(2.0)**	1.6
	held at fair value through profit and loss	**4.0**	4.0
		2.0	5.6
Cheshunt Lakeside Developments Limited	*held at carrying value*	**32.8**	13.4
		34.8	19.0
Non-current			
Europa Park LLP	*held at carrying value*	**–**	1.0
Gardiners Park LLP	*held at carrying value*	**1.0**	–
		1.0	1.0
Total amounts due from joint ventures		**35.8**	20.0

The Directors have considered the classification of the amounts due from Bucknalls Developments Limited and believe that £4.0m previously classified as amounts due from joint ventures at the year ended 30 June 2018 at carrying value should be classified as assets held at fair value through profit and loss due to the Perpetual Annuity Bond interest. There is no impact on the measurement for the year ended 30 June 2018. All other amounts above are held at carrying value.

The measurement uses significant unobservable inputs to measure fair value and is based on Directors valuation given there is no readily available market information. These amounts have been classified as Level 3 in the fair value hierarchy as set out by IFRS 13 Fair Value Measurement. There have been no transfers between levels in the fair value hierarchy during the period ended 30 September 2019 (year to 30 June 2018: none).

Apart from interest, which is charged on amounts due from Bucknalls Developments Limited held at fair value through profit and loss, all other amounts are interest free and repayable on demand.

As outlined in note 5, the Group applies a forward looking expected credit loss model to measure any credit loss provision for amounts due from joint ventures and associates. Both the expected credit loss provision and the incurred loss provision in the current period and prior year are immaterial.

Summarised financial information for material joint ventures

Bucknalls Developments Limited

In December 2015, the Group entered into a joint venture with two individuals to purchase land, obtain planning permission and develop the homes in Garston, Hertfordshire. During the year ended 30 June 2017 outline planning consent was obtained for 100 residential units. Under the terms of the joint venture, the Group is obliged to fund 50% of the costs of the site and is entitled to receive 50% of the returns. Inland Limited also entered into a management fee agreement with Bucknalls Developments Limited in the period, for which revenue and profit of £1.8m and £1.1m respectively were recognised in the Group.

Summarised statement of financial position

	As at 30 September 2019 £m	As at 30 June 2018 £m
Current assets		
Cash and cash equivalents	**0.3**	0.1
Other current assets	**12.3**	9.5
Total current assets	**12.6**	9.6
Current liabilities		
Financial liabilities (excluding trade payables and provisions)	**10.0**	9.9
Other current liabilities	**1.2**	0.3
Total current liabilities	**11.2**	10.2
Net assets/(liabilities)	**1.4**	(0.6)
Reporting entity's share	**0.7**	(0.3)
Losses restricted to nil	**–**	0.3
Carrying amount at period/year end	**0.7**	–

Summarised statement of total comprehensive income

	Fifteen months to 30 September 2019 £m	Year ended 30 June 2018 £m
Revenue	**16.6**	–
Cost of Sales and Operating expenses	**(13.3)**	–
Interest payable	**(0.9)**	(0.3)
Tax payable	**(0.4)**	–
Total comprehensive income/(expense)	**2.0**	(0.3)

Cheshunt Lakeside Developments Limited

In June 2016, the Group entered into a joint venture whose purpose was to acquire a site in Cheshunt, obtain planning permission and ultimately sell the land.

During the period ended 30 September 2019, planning consent was granted for 1,253 residential plots and 4,905sqm of retail space. Additionally, the joint venture acquired a wholly owned subsidiary, Delamare Estate (Cheshunt) Limited, during the period. Delamare Estate (Cheshunt) Limited and CLDL have entered into short-term leases with various tenants to maximise revenue in the short term.

Acquisition and subsequent disposal of interests in joint venture

At the start of the period, Inland Homes held a 50% interest in the joint venture. In addition to the direct holding, the Group held a put and call option over the other joint venture partner's 50% share. Certain conditions were attached to the options which needed to be met for either side of the option to be exercised.

By taking into account the Group's ability to exercise its option, the Group considered that together the 50% direct holding and put and call option gave the Group control over the company from 6 June 2019. As a consequence, the Group ceased to equity account for its interest in the company from this date and instead consolidated 100% of the company.

The nature of the company led the Group to conclude that the step acquisition would be most appropriately accounted for as an asset acquisition. Therefore, the carrying value of the equity accounted investment at 6 June 2019 in addition to the fair value of the option price (£13.7m) together represented the cost of net assets acquired.

On 22 September, the Group exercised its option to acquire the 50% share capital of the company under the option agreement. The option price was payable in October 2019 and is included within other payables at the balance sheet date (see note 27).

At the same time (30 September 2019), the Group entered into a contract with a third party to sell its existing 50% share of the company. As a result, the Group lost full control of the company and as at the balance sheet date has joint control under the new joint venture agreement.

Notes to the financial statements CONTINUED

for the 15-month period ended 30 September 2019

20. Investments in Group undertakings continued

The disposal proceeds are payable by the new joint venture partner once the joint venture has sold the developed asset. The proceeds payable are £28.5m, and on a discounted basis are estimated to be £20m as included within other receivables due in more than one year (see note 23).

The Group has accounted for its loss of control as if it were a disposal of an asset, given that the company's activities are not considered to constitute a business. The Group has therefore de-recognised the net assets of the company and 50% of the previous carrying value has been attributed to the Group's continuing investment in the joint venture, which is now once again equity accounted.

The profit on sale of the Group's 50% holding resulted in a gain recognised in the Income Statement of £12.6m, being the fair value of the disposal proceeds (£20m) less 50% of the previous carrying amount (£7.4m).

Summarised statement of financial position

	As at 30 September 2019 £m	As at 30 June 2018 £m
Current assets		
Cash and cash equivalents	**–**	0.3
Other current assets	**74.6**	57.5
Total current assets	**74.6**	57.8
Current liabilities		
Financial liabilities (excluding trade payables and provisions)	**69.5**	56.6
Other current liabilities	**0.9**	0.6
Total current liabilities	**70.4**	57.2
Non-current liabilities		
Financial liabilities (excluding trade payables and provisions)	**3.1**	–
Total non-current liabilities	**3.1**	–
Total liabilities	**73.5**	–
Net assets	**1.1**	0.6
Reporting entity's share of profit	**0.3**	0.3
Investment cost	**0.4**	0.1
Exercise of call option	**13.8**	–
Disposal of 50% beneficial interest	**(7.2)**	–
Carrying amount at period / year end	**7.3**	0.4

Summarised statement of total comprehensive income

Time period:	**Period from 1 July 2018 to 5 June 2019**	**Period from 6 June 2019 to 29 September 2019**	**At 30 September 2019**	Year ended 30 June 2018
Accounting treatment:	*Accounted as a joint venture under IAS28* **£m**	*Accounted as a subsidiary* **£m**	*Accounted as a joint venture under IAS28* **£m**	*Accounted as a joint venture under IAS28* £m
Revenue	**1.9**	**0.5**	**–**	0.7
Cost of sales and operating expenses	**(1.2)**	**(0.4)**	**–**	(0.3)
Total comprehensive income	**0.7**	**0.1**	**–**	0.4

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. During the period ended 30 September 2019, the site is under construction and the company has sold half of the residential units.

Summarised statement of financial position

	As at 30 September 2019 £m	As at 30 June 2018 £m
Current assets		
Cash and cash equivalents	**–**	0.1
Other current assets	**3.2**	2.7
Total current assets	**3.2**	2.8
Current liabilities		
Financial liabilities (excluding trade payables and provisions)	**–**	1.9
Other current liabilities	**0.7**	0.9
Total current liabilities	**0.7**	2.8
Non-current liabilities		
Financial liabilities (excluding trade payables and provisions)	**2.5**	–
Total non-current liabilities	**2.5**	–
Total liabilities	**3.2**	2.8
Net assets	**–**	–
Reporting entity's share	**–**	–
Investment cost	**–**	–
Carrying amount at period/year end	**–**	–

Summarised statement of total comprehensive income

	Fifteen months to 30 September 2019 £m	Year ended 30 June 2018 £m
Revenue	**10.1**	–
Cost of sales and operating expenses	**(8.0)**	–
Interest payable	**(0.2)**	–
Total comprehensive income	**1.9**	–

Gardiners Park LLP

In November 2016, the Group entered a joint venture with Constable Homes to develop a site in Basildon, Essex with 30 private and 13 Housing Association units. Under the terms of the joint venture agreement, the Group has an obligation to fund 50% of the costs of the site and is entitled to receive 50% of the net returns. During the period ended 30 September 2019, the site is under construction and the company has exchanged on a number of residential units.

Notes to the financial statements CONTINUED

for the 15-month period ended 30 September 2019

20. Investments in Group undertakings continued

Summarised statement of financial position

	As at 30 September 2019 £m	As at 30 June 2018 £m
Current assets		
Cash and cash equivalents	**0.5**	0.4
Other current assets	**5.2**	0.9
Total current assets	**5.7**	1.3
Current liabilities		
Other current liabilities	**0.9**	1.3
Total current liabilities	**0.9**	1.3
Non-current liabilities		
Financial liabilities (excluding trade payables and provisions)	**2.8**	–
Total non-current liabilities	**2.8**	–
Total liabilities	**3.7**	1.3
Net Assets	**2.0**	–
Reporting entity's share	**1.0**	–
Investment cost	**–**	–
Carrying amount at period / year end	**1.0**	–

Summarised statement of total comprehensive income

	Fifteen months to 30 September 2019 £m	Year ended 30 June 2018 £m
Revenue	**2.0**	11.0
Cost of sales and operating expenses	**(1.8)**	(9.3)
Interest payable	**(0.1)**	(0.1)
Total comprehensive income	**0.1**	1.6

During the period, the Group provided an additional amount of £1m to Gardiners Park LLP which has been classified as a long-term receivable in the annual accounts of Inland Homes plc but has been treated as equity in the financial statements of Gardiners Park LLP.

Interest in associate

Summarised financial information for material associate

Troy Homes Limited

For the 15-month period ended 30 September 2019, Troy Homes made a profit before tax of £0.5m (year ended 30 June 2018: £0.2m).

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

Summarised statement of financial position

	As at 30 September 2019 £m	As at 30 June 2018 £m
Non-current assets		
Tangible assets	**–**	0.1
Total non-current assets	**–**	0.1
Current assets		
Cash and cash equivalents	**3.0**	3.1
Other current assets	**32.3**	29.3
Total current assets	**35.3**	32.4
Total assets	**35.3**	32.5
Current liabilities		
Financial liabilities (excluding trade payables and provisions)	**18.1**	14.1
Other current liabilities	**3.8**	5.5
Total current liabilities	**21.9**	19.6
Non-current liabilities		
Financial liabilities (excluding trade payables and provisions)	**9.4**	9.2
Total non-current liabilities	**9.4**	9.2
Total liabilities	**31.3**	28.8
Net assets	**4.0**	3.7
Reporting entity's share	**1.0**	0.9
Investment cost	**1.1**	0.2
Carrying amount at period/year end	**2.1**	1.1

Summarised statement of total comprehensive income

	Fifteen months to 30 September 2019 £m	Year ended 30 June 2018 £m
Revenue	**29.0**	14.2
Cost of sales and operating expenses	**(26.2)**	(12.9)
Interest payable	**(2.1)**	(1.4)
Income tax (payable)/receivable	**(0.2)**	0.3
Total comprehensive income	**0.5**	0.2

Company

	30 September 2019 £m	30 June 2018 £m
Cost	**12.5**	12.5
Net book value	**12.5**	12.5

Notes to the financial statements CONTINUED

for the 15-month period ended 30 September 2019

21. 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 2018	6.0	(2.7)	(0.7)	(0.7)	1.9
(Charged)/credited to income statement	0.3	(1.6)	0.7	(0.1)	(0.7)
At 30 September 2019	**6.3**	**(4.3)**	**–**	**(0.8)**	**1.2**

Company

At 1 July 2018	–	–	–	(0.7)	(0.7)
Credited to income statement	–	–	–	(0.1)	(0.1)
At 30 September 2019	**–**	**–**	**–**	**(0.8)**	**(0.8)**

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.

22. Inventories

	As at 30 September 2019 £m	As at 30 June 2018 £m
At 1 July	**136.2**	139.9
Additions	**154.6**	107.8
Capitalisation of finance costs	**1.3**	1.1
Capitalisation of employee costs	**8.1**	3.0
Charged to income statement	**(111.9)**	(113.7)
Transferred from/(to) investment property	**4.3**	(1.2)
Impairment	**(0.2)**	(0.7)
At 30 September 2019/30 June 2018	**192.4**	136.2

Split of inventories

	As at 30 September 2019 £m	As at 30 June 2018 £m
Work in Progress	**115.2**	74.5
Land	**77.2**	61.7
	192.4	136.2

Certain of the inventories are secured against the Group's borrowings. For details see note 28.

Included within inventories is £nil (30 June 2018: £0.9m) in relation to construction contracts and to 30 September 2019 £66.7m (30 June 2018: £15.5m) has been billed in relation to these contracts.

23. Trade and other receivables

	Group		Company	
	As at 30 September 2019 £m	As at 30 June 2018 £m	**As at 30 September 2019 £m**	As at 30 June 2018 £m
Trade receivables from contract revenue with customers	**14.7**	16.1	**–**	–
Prepayments and accrued income	**18.9**	0.4	**–**	–
Other receivables	**11.8**	13.9	**1.6**	0.2
Amounts owed by Group undertakings	**–**	–	**38.6**	36.9
Trade and other receivables due in less than one year	**45.4**	30.4	**40.2**	37.1
Other receivables due in more than one year	**21.8**	11.0	**–**	–
	67.2	41.4	**40.2**	37.1

Materially, all of the trade receivables are receivables from contract revenue with customers.

The carrying value of trade and other receivables is considered a reasonable approximation of fair value. During the year to 30 June 2018, £0.5m was written off in relation to a contractor which went into administration in 2016 (for more details see note 27).

Included within other receivables due in greater than one year is £19.9m (30 June 2018: nil) in relation to the sale of the Group's beneficial interest of 50% in Cheshunt Lakeside Developments Limited. See note 20 for further details.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9 for trade receivables. The Group applies the general approach to providing for expected credit losses prescribed by IFRS 9 for other receivables. Both the expected credit loss provision and the incurred loss provision in the current period and prior year are immaterial. Refer to note 5 for further details.

Other receivables

	Group	
	As at 30 September 2019 £m	As at 30 June 2018 £m
Due in less than one year		
Sale of subsidiary	**2.9**	1.3
Sale of interest in joint venture	**2.1**	5.0
Construction contract bond	**–**	5.0
Loan facility	**4.2**	–
Other	**2.6**	2.6
	11.8	13.9
Due in more than one year		
Sale of subsidiary	**–**	4.7
Sale of interest in joint venture	**19.9**	5.7
Other	**1.9**	0.6
	21.8	11.0

Within other receivables due in less than one year is £nil (30 June 2018: £0.5m) relating to retentions receivable from construction contracting clients and within trade receivables is £5.0m (30 June 2018: £2.9m) relating to income accrued on a construction contract.

Within other receivables due in more than one year is £1.7m (30 June 2018: £nil) relating to retentions receivable from construction contracting clients.

Loan facility includes £3m (30 June 2018: £nil) receivable from Hillingdon Properties Limited. The loan facility bears no interest and is repayable on demand.

Notes to the financial statements CONTINUED

for the 15-month period ended 30 September 2019

24. Cash and cash equivalents

	Group		Company	
	As at 30 September 2019 £m	As at 30 June 2018 £m	**As at 30 September 2019 £m**	As at 30 June 2018 £m
Cash at bank and at hand	**10.9**	40.4	**7.1**	18.3

25. 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 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	–
Issued on exercise of LTIP	2,814,924	0.2	–	–
At 30 September 2019	**207,366,045**	**20.7**	**9,980**	**–**

Employee Benefit Trust		
At 30 June 2017 and 30 June 2018	1,627,500	(1.1)
Purchase of own shares for deferred bonus plan	–	–
At 30 September 2019	**1,627,500**	**(1.1)**

Treasury reserve		
At 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)
Purchase of own shares	200,000	(0.1)
Exercise of share options	(1,025,000)	0.6
At 30 September 2019	**–**	**–**

Total voting shares[1]	
At 30 June 2017	202,026,932
At 30 June 2018	202,098,621
At 30 September 2019	**205,738,545**

[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 26), 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. Ordinary shares issued after the balance sheet date but prior to the date of this report are disclosed in note 36.

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.

26. 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 Long Term Incentive Plan. At 30 September 2019 this reserve holds 1,627,500 shares (30 June 2018: 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 September 2019, this reserve holds no shares (30 June 2018: 825,000).
Retained earnings	Cumulative net gains and losses recognised in the Group income statement together with other items such as dividends and share-based payments.

27. Trade and other payables

	Group		Company	
	As at 30 September 2019 £m	As at 30 June 2018 £m	**As at 30 September 2019 £m**	As at 30 June 2018 £m
Trade payables	**19.5**	8.5	**0.1**	–
Other payables	**14.8**	3.1	**0.1**	0.4
Sales and social security taxes	**0.5**	6.4	**–**	0.5
Provisions	**0.2**	–	**–**	–
Accruals	**12.7**	6.9	**0.4**	0.2
	47.7	24.9	**0.6**	1.1

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

Within trade payables is £7.1m (30 June 2018: £0.7m) relating to amounts payable in relation to construction contracts.

Included within other payables is £13.7m (30 June 2018: £nil) in relation to the option liability payment for the purchase of 50% of Cheshunt Lakeside Developments Limited. See note 20 for further details.

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 £0.3m for the final agreed settlement with the Administrators in relation to these claims.

Notes to the financial statements CONTINUED

for the 15-month period ended 30 September 2019

28. 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 September 2019							
Secured bank loans	26.8	51.3	1.2	29.6	–	–	108.9
Other secured loans	21.2	–	–	–	7.2	–	28.4
Borrowings	48.0	51.3	1.2	29.6	7.2	–	137.3
ZDP shares	–	–	–	–	25.9	–	25.9
Gross debt	**48.0**	**51.3**	**1.2**	**29.6**	**33.1**	**–**	**163.2**
Cash and cash equivalents							(10.9)
Net debt							**152.3**
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
Undrawn committed bank facilities							
At 30 September 2019		**0.4**	**0.1**	**14.8**	**5.3**	**–**	**20.6**
At 30 June 2018	–	13.9	13.3	–	–	4.9	32.1

At 30 September 2019, the bank loans were secured over £47.9m (30 June 2018: £47.1m) of investment property and assets held for sale and £147.3m (30 June 2018: £16.6m) of inventories. The other loans were secured over £7.0m (30 June 2018: £5.3m) of investment property and £38.1m (30 June 2018: £50.9m) of inventories. The ZDP shares were secured against inventories of £nil (30 June 2018: £4.1m) and loans to joint ventures and associates of £38.7m (30 June 2018: £18.9m). 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 September 2019, there were 16,430,790 ZDP shares in issue (30 June 2018: 12,444,200). An explanation of the fair value of the ZDP shares is included in note 31. In August 2018, the ZDP shareholders agreed to rollover and extend the facility and will now be repaid on or before 10 April 2024. This was accounted for as a substantial modification due to the significant extension to the term of the debt, the change to the covenants and the substantial change in interest rate. This resulted in no gain or loss being recognised in the Income Statement. Further ZDP shares were issued after the period end; refer to note 36 for further information.

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 September 2019							
Variable rate borrowings	**26.8**	**51.3**	**1.2**	**29.6**	**7.2**	**–**	**116.1**
Fixed rate borrowings	**47.1**	**–**	**–**	**–**	**–**	**–**	**47.1**
Gross debt	**73.9**	**51.3**	**1.2**	**29.6**	**7.2**	**–**	**163.2**
Interest on gross debt	**5.9**	**3.6**	**1.4**	**0.8**	**0.2**	**–**	**11.9**
Gross loan commitments	**79.8**	**54.9**	**2.6**	**30.4**	**7.4**	**–**	**175.1**
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

29. Cash flow information

Net debt reconciliation

			Non-cash movements			
	As at 30 June 2018 £m	Cash flows £m	Amortisation of loan arrangement fees £m	Non-cash receivable settlement £m	Movement in accrued liability £m	**As at 30 September 2019 £m**
Secured bank loans	67.4	38.5	1.7	1.3	–	**108.9**
Other secured loans	34.3	(5.9)	–	–	–	**28.4**
Borrowings	101.7	32.6	1.7	1.3	–	**137.3**
ZDP shares	18.4	6.2	–	–	1.3	**25.9**
Gross debt	120.1	38.8	1.7	1.3	1.3	**163.2**
Cash and cash equivalents	(40.4)	29.5	–		–	**(10.9)**
Net debt	79.7	71.6	(0.3)		1.3	**152.3**
Net assets						
IFRS	142.4					**162.2**
Net gearing						
IFRS	56.0%					**93.9%**

30. Other financial liabilities

Other financial liabilities of £4.1m (30 June 2018: £3.7m) relates to purchase consideration on inventories falling due within one year.

Notes to the financial statements CONTINUED

for the 15-month period ended 30 September 2019

31. Financial instruments

Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk; liquidity risk; interest rate risk and price 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 the associate and deferred receipts on disposal of investment in subsidiaries and joint ventures and management fees which are adequately covered by the underlying values of the assets within the joint ventures and associate or legal charges over the land within the vehicle disposed of or from where management fees are due. Further information can be found in note 20 and 23. 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:

	As at 30 September 2019 £m	As at 30 June 2018 £m
Classes of financial assets – carrying amounts		
Cash and cash equivalents	**10.9**	40.4
Amounts due from joint ventures in less than one year	**34.8**	19.0
Amounts due from joint ventures in more than one year	**1.0**	1.0
Amounts due from associate due in more than one year	**–**	3.0
Amounts due from associates in less than one year	**3.3**	2.8
Receivables due in more than one year	**21.8**	11.0
Trade and other receivables	**44.4**	30.0
	116.2	107.2

The Group's policy is to only deal with creditworthy counterparties. A creditworthy counterparty is defined by the Group as a counterparty that carries a minimal risk that the counterparty in a transaction cannot honour its obligation to the Group.

Counterparties are assessed on contract inception through externally available information where legal charges are not available over the underlying asset and are reviewed periodically to determine if there are any changes in creditworthiness or other circumstances that may bring the financial viability of the counterparty in some doubt.

All new contracting and management service contracts entered into are with reputable parties and are subject to acceptance procedures which include detailed creditworthiness checks. This procedure ensures that collectability is probable i.e. more likely than not, prior to commencement of the contract. In this regard no instances have been identified in the past where the collectability of the sales consideration has been considered improbable at the time of contract commencement.

In any instance where part of all the consideration is deferred, the Group additionally seeks and secures a legal charge over underlying property assets held until such time that all elements of the deferred consideration has been fully received at which point that legal charge is released.

The Group has assessed loans and advances due from joint ventures and associate and have concluded there is a minimal risk of default. Default is defined and assessed as a risk of missed payment of interest and/or principal or a failure to honour the financial terms in place between the Group and the joint ventures and associate in question.

The assessment of credit risk for amounts due from joint ventures are based on a consideration of known future cash flows which have been sensitised, based on the most likely, the worst case and a mid-case scenarios. These cash flows are reviewed against what is due and expected to be paid and analysis made of whether this is sufficient to repay monies based on the financial terms in place between the Group and the joint ventures in question.

The assessment of credit risk for amount due from the associate are based on net valuations. The valuation of properties has been sensitised based on the most likely, the worst case and a mid-case scenario downturn in valuations. These valuations are reviewed against what is due and expected to be paid and analysis made of whether this is sufficient to repay monies based on the financial terms in place between the Group and associate in question.

Loans to joint ventures and associates are secured via charge over either the underlying asset, the future dividends of or the future profits generated by the relevant entity based on the agreement between the joint venture or associate in question. The Group does not rely on this collateral in taking its position of reviewing and/ or recognising an expected credit loss.

At the balance sheet date there are no financial assets that are credit impaired.

Management has determined there has not been a significant increase in credit risk on loans to subsidiaries from the parent company and loans to joint ventures and associates for the Group during the 15-month period ended 30 September 2019 or the prior year ending 30 June 2018.

A majority of current trade and other receivables will be paid within 30-59 days. Due to the short term nature, the Group does not anticipate any material default and the Directors do not consider the macro economic environment conditions (inflation, exchange rates and property prices) to substantially change in the short term. There has been one immaterial write off in the past five years.

The vast majority of trade and other receivable balances relate to property transactions and are short term in nature. As a housing developer, the risk of not receiving settlement on sales or services are low as such no trade and other receivables are deemed credit impaired.

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 financial assets have expected credit losses. Further information on the concentration of credit risk can be found in note 23.

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 as outlined in the table in note 28. The Group does not use hedging arrangements to limit the interest rate risk.

Market rate sensitivity analysis

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

	As at 30 September 2019 £m	As at 30 June 2018 £m
Total impact on pre-tax profit and equity of 0.5 per cent increase in interest rates – loss	**(0.5)**	(0.3)
Total impact on pre-tax profit and equity of 0.5 per cent decrease in interest rates – gain	**0.5**	0.3

(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 enters into construction contracts with housing associations which involve the bulk, forward selling of residential units and has less risk than private house building.

Notes to the financial statements CONTINUED

for the 15-month period ended 30 September 2019

31. Financial instruments continued

Financial assets and liabilities

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

	As at 30 September 2019 £m	As at 30 June 2018 £m
Amortised cost		
Other assets – non-current	**1.2**	15.2
Other assets – current	**80.5**	47.8
Cash and cash equivalents	**10.9**	40.4
Fair value through other comprehensive income		
Other assets – non-current	**1.1**	0.2
Fair value through profit and loss		
Other assets – current	**4.0**	4.0
	97.7	107.6
Financial liabilities		
Financial liabilities measured at amortised cost:		
– borrowings	**137.3**	101.7
– Zero Dividend Preference shares	**25.9**	18.4
– other liabilities – current	**51.3**	22.2
	214.5	142.3

Other assets – non current includes investments, amounts due from associate and joint ventures shown in note 20 and amounts shown as trade and other receivables in note 23 due in more than one year.

Other assets – current includes amounts due from associate and joint ventures shown in note 20 and all amounts shown as trade and other receivables due in less than one year in note 23 except prepayments of £1.0m (30 June 2018: £0.4m). Amounts due from Bucknalls Developments Limited is split between Amortised Cost and Fair Value Through Profit and Loss.

Other liabilities includes purchase consideration of £4.1m (30 June 2018: £3.7m) shown in note 30 and all amounts shown as trade and other payables in note 27 except sales and social security taxes of £0.5m (30 June 2018: £6.4m). 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 28). The ZDP shares are carried at their accrued value of 159.12p per share (30 June 2018: 147.59p) however their closing price on the main market of the London Stock Exchange on 30 September 2019 was 161.50p (30 June 2018: 151.70p). The ZDP shares attract an interest rate of between 4.96% and 5.49%. The interest rates disclosed for the ZDP preference shares were the rates disclosed before the changes in August 2018.

32. Commitments and leases

Operating lease commitments where the Group is the lessor

The Group lets houses, commercial properties, modular homes 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:

	As at 30 September 2019 £m	As at 30 June 2018 £m
Due in less than one year	**1.5**	0.7
Due later than one year and not later than five years	**1.8**	0.1
Due later than five years	**0.9**	–
	4.2	0.8

There were no significant leasing arrangements at 30 September 2019 and 30 June 2018.

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:

	As at 30 September 2019 £m	As at 30 June 2018 £m
Due in less than one year	**0.3**	0.1
Due later than one year and not later than five years	**1.4**	0.1
	1.7	0.2

The Company has a rental contract for the registered office at Burnham Yard, London End, Beaconsfield, HP9 2JH dated 30 January 2019. This contract has a non-cancellable term of six years, with an annual rent of £318,000. Other than this there were no significant leasing arrangements in the current or prior year.

Joint ventures and associate

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

For Cheshunt Lakeside Developments Limited, the Group is committed to contributing all costs not funded by external borrowings together with its joint venture partner.

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

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

For Troy Homes Limited, the Group acquired 25% of Troy Homes Limited and is entitled to 25% of the net returns. There are no commitments to note.

Notes to the financial statements CONTINUED

for the 15-month period ended 30 September 2019

33. 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 28 and 31 to the Group accounts. The Group monitors capital on the basis of the carrying amount of the equity less cash and cash equivalents as presented on the face of the Group Statement of Financial Position.

The movement in the capital to overall financing ratio is shown below. The target capital to overall financing ratio has been set by the Directors at 40% and results under this amount are considered to be a good performance against the target. Further commentary on the level of borrowing, overall financing strategy and expected future direction is contained in the Finance Director's report.

	As at 30 September 2019 £m	As at 30 June 2018 £m
Equity	**162.2**	142.4
Less: cash and cash equivalents	**(10.9)**	(40.4)
	151.3	102.0
Equity	**162.2**	142.4
Borrowings	**163.2**	120.1
Overall financing	**325.4**	262.5
Capital to overall financing	**46.5%**	38.9%

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 asset cover 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.

34. Contingencies

Inland Homes plc has guaranteed the obligations of certain borrowings of its subsidiaries:

	As at 30 September 2019 £m	As at 30 June 2018 £m
Chapel Riverside Limited	**7.2**	11.5
High Wycombe Developments Limited	**2.2**	2.2
Inland Homes Developments Limited	**30.3**	20.0
Inland (STB) Limited	**8.8**	54.1
Inland Property Finance Limited	**17.2**	25.0
Inland Commercial Property Limited	**1.3**	–
Inland Limited	**4.0**	–
	71.0	112.8

All of these subsidiaries are going concerns.

Inland Homes plc has guaranteed the obligations of certain subsidiaries with regards to the payments of subcontractors. No guarantees were considered significant at 30 September 2019.

Inland Homes plc has guaranteed the build performance obligations of Inland Limited and Inland Partnerships Limited 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 20.

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

35. 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 20.

For details of compensation paid to the Directors and key management please see the Remuneration Committee report on page 63 and note 8. For Directors' shareholdings in the Company, please see the Directors' report on page 66.

Mr Malde is a non-executive Director of Troy Homes Limited, an associate of the Group. Please see note 20 for balances outstanding from the associate and contractual terms of the debtors at 30 September 2019 and as at 30 June 2018.

36. Post balance sheet events

On 7 November 2019, a further 1,671,067 ZDP shares were issued for gross proceeds of £2.7m. Following this issue, the number of ZDP shares in issue was 18,101,857 shares.

On 14 November 2019, the Group issued 180,000 new ordinary shares of 10 pence each pursuant to an exercise of options over ordinary shares by an employee of the company.

On 18 December 2019, the Group obtained a loan of £7.0m from W.E. Black Ltd with a term of 12 months.

On 19 December 2019, the Group issued 25,000 new ordinary shares of 10 pence each pursuant to an exercise of options over ordinary shares by an employee of the Company.

On 20 December 2019, the Group renewed its loan facility from Secure Trust of £26.75m to a revised expiry date of 18 December 2020.

On 27 December 2019, the Group disposed of a 50% interest in High Wycombe Developments Limited to Qbay Limited and entered into a joint venture agreement.

On 30 January 2020, the Group arranged a new debt facility of £20.0m to be available from May 2020 with a term of 12 months from drawdown.

Five year summary (unaudited)

15 month period ended 30 September

	2019 £m	2018[1] £m	2017[1] £m	2016[1] £m	2015[1] £m
Revenue	**147.9**	147.4	90.7	101.9	114.2
Profit before tax	**25.0**	19.3	19.6	33.7	34.9
Inventories	**192.4**	136.2	139.9	148.4	121.8
Cash	**10.9**	40.4	26.5	16.7	21.4
Gross debt	**163.2**	120.1	94.5	71.3	56.3
Net debt	**152.3**	79.7	68.0	54.6	34.9
Net gearing (%)					
IFRS	**93.9**	56.0	52.1	46.9	38.9
EPRA	**65.1**	38.6	35.0	29.3	n/a
Net assets					
IFRS	**162.2**	142.4	130.6	116.3	88.8
EPRA	**233.9**	206.7	194.4	184.7	n/a
Earnings per share (p)					
Basic	**11.79**	7.64	7.82	14.01	15.01
Diluted	**11.47**	7.30	7.46	13.38	14.09
Dividend per share (p)					
IFRS	**3.10**	1.85	1.40	1.10	0.60
Distribution of year's earnings	**2.40**	2.20	1.70	1.30	1.00
Net asset value per share (p)					
IFRS	**78.84**	70.46	64.62	57.66	43.92
EPRA - diluted	**110.55**	98.03	91.88	88.22	n/a
EPRA - undiluted	**113.69**	102.28	96.22	92.34	n/a

	Number	Number	Number	Number	Number
Private housing units sold	**202**	275	188	147	248
Land plots sold	**577**	837	780	425	440
Land bank plots	**7,796**	6,870	6,776	6,681	5,176
Plots with planning permission and resolution to grant planning consent	**2,956**	1,708	2,105	1,163	1,200
Plots without planning permission	**4,840**	5,162	4,671	5,518	3,976

[1] Twelve-month reporting period ended 30 June.

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.

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.

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.

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).

List of definitions CONTINUED

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.

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.

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 organisations such as housing associations.

Advisers and Company information

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