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This document comprises a prospectus relating to Inland ZDP PLC (“ZDPCo”) prepared in accordance with the Prospectus Rules of the Financial Services Authority made under section 73A of the Financial Services and Markets Act 2000 (as amended). A copy of this document has been filed with the Financial Services Authority and has been made available to the public in accordance with Rule 3.2 of the Prospectus Rules.

Application has been made to the UK Listing Authority and to the London Stock Exchange respectively for admission of the ZDP Shares: (i) to the Official List (by way of a standard listing under Chapter 14 of the Listing Rules); and (ii) to the London Stock Exchange’s market for listed securities (together “Admission”). It is expected that Admission will become effective and that unconditional dealings in the ZDP Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 20 December 2012.

Prospective investors should read the entire document (together with the documents incorporated by reference herein) and, in particular, the Risk Factors set out on pages 15 to 22, when considering an investment in the ZDP Shares.

Inland ZDP PLC

(a company incorporated and registered in England and Wales with registered number 8303612)

wholly-owned subsidiary of

Inland Homes PLC

(a company incorporated and registered in England and Wales with registered number 5482990)

Placing of up to 8,500,000 ZDP Shares

at an Issue Price

of 100 pence per ZDP Share

Broker

Libertas Capital Corporate Finance Limited

The distribution of this document and/or the transfer of the ZDP Shares in certain jurisdictions may be restricted by law. No action has been or will be taken to permit a public offering of the ZDP Shares or to permit the possession or distribution of this document (or any other offering or publicity materials related to the ZDP Shares) in any jurisdiction where action for that purpose may be required. Accordingly, neither this document nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions.

This document does not constitute an offer to buy or to subscribe for, or the solicitation of an offer to buy or subscribe for, ZDP Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular the ZDP Shares offered by this document have not been, and will not be, registered under the US Securities Act of 1933, as amended (the “Securities Act”) or registered or qualified for sale under the laws of any state of the United States or under the applicable laws of any of Canada, Australia, the Republic of the South Africa or Japan and, subject to certain exceptions, may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of Canada, Australia, the Republic of South Africa or Japan. Neither this document nor any copy of it may be distributed directly or indirectly to any persons with addresses in Canada, Australia, the Republic of South Africa or Japan, or to any corporation, partnership or other entity created or organised under the laws thereof, or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement. ZDPCo will not be registered as an investment company under the US Investment Company Act of 1940, as amended. This document and the ZDP Shares have not been recommended, approved or disapproved by any US federal or state securities commission or regulatory authority. Furthermore, none of such authorities has passed on the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence.

APPLICATION WILL BE MADE FOR THE ZDP SHARES TO BE ADMITTED TO A STANDARD LISTING ON THE OFFICIAL LIST. A STANDARD LISTING WILL AFFORD INVESTORS IN THE COMPANY A LOWER LEVEL OF REGULATORY PROTECTION THAN THAT AFFORDED TO INVESTORS IN COMPANIES WITH PREMIUM LISTINGS ON THE OFFICIAL LIST, WHICH ARE SUBJECT TO ADDITIONAL OBLIGATIONS UNDER THE LISTING RULES.

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SUMMARY

Summaries are made up of disclosure requirements known as ‘Elements’. These elements are numbered in Sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of ‘not applicable’.

Section A – Introduction and warnings		
A1	Warning that: - this summary should be read as introduction to the prospectus; - any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor; - where a claim relating to the information contained in the prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the prospectus before the legal proceedings are initiated; and - civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.	
A.2	Subsequent resale through financial intermediaries or final placement of securities	Not applicable. ZDPCo does not consent to the use of the prospectus for subsequent resale or final placement of securities by financial intermediaries.
Section B – Issuer and guarantor		
B.1	The legal and commercial name of the Issuer	Inland ZDP PLC
B.2	The domicile and legal form of the issuer, the legislation under which the issuer operates and its country of incorporation	ZDPCo is domiciled and incorporated in England and Wales; and the principal legislation under which it operates is the Companies Act 2006.
B.3	A description of, and key factors relating to, the nature of the issuer’s current operations and their principal activities, stating the main categories of products sold and/or services performed and identification of the principal markets in which the issuer competes.	ZDPCo has been formed solely to issue the ZDP Shares and lend the gross proceeds to Inland and has no operations or activities.
B.4a	A description of the most significant recent trends affecting the issuer and the industries in which it operates	Not applicable to ZDPCo which has no operations.

B.5	If the issuer is part of a group, a description of the group and the issuer's position within the group.	Inland is the group holding company with six subsidiaries engaged in property development activities and a subsidiary finance company all of which are wholly owned by Inland. In addition Inland has a 33 per cent. interest in Howarth Homes. Inland New Homes Limited, which is a dormant company, is also a wholly owned subsidiary of Inland. ZDPCo is also a newly formed wholly owned subsidiary of Inland formed solely for the purpose of issuing the ZDP Shares.
B.6	In so far as is known to the issuer, the name of any person who, directly or indirectly, has an interest in the issuer's capital or voting rights which is notifiable under the issuer's national law, together with the amount of each such person's interest. Whether the issuer's major shareholders have different voting rights if any. To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control.	The whole of the voting shares in ZDPCo are held by Inland. ZDP Shareholders only have voting rights on certain specific matters.
B.7	Selected historical key financial information regarding the issuer, presented for each financial year of the period covered by the historical financial information, and any subsequent interim financial period accompanied by comparative data from the same period in the prior financial year except that the requirement for comparative balance sheet information is satisfied by presenting the year end balance sheet information. This should be accompanied by a narrative description of significant change to the issuer's financial condition and operating results during or subsequent to the period covered by the historical key financial information.	Not applicable to ZDPCo, which is newly incorporated.

B.8	Selected key pro forma financial information, identified as such. The selected key pro forma financial information must clearly state the fact that because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the company's actual financial position or results.	Not applicable; no pro-forma financial statements have been included in the Prospectus.
B.9	Where a profit forecast or estimate is made, state the figure.	Not applicable; no profit forecast or estimate.
B.10	A description of the nature of any qualifications in the audit report on the historical financial information.	Not applicable; no qualified audit report.
B.11	If the issuer's working capital is not sufficient for the issuer's present requirements an explanation should be included.	Not applicable; working capital is sufficient.
B.18	A description of the nature and scope of the guarantee.	Immediately following Admission, ZDPCo will lend the gross proceeds of the Placing to Inland by way of interest free secured Loan Note. The Loan Note and supporting documentation contain certain provisions to protect the interests of ZDPCo and their ZDP Shareholders. The Loan Note will be repayable at par on the ZDP Final Payment Date. In addition, Inland will enter into a Contribution Agreement with ZDPCo on Admission under which Inland will agree to contribute such amount as may be necessary to ensure that ZDPCo has the cash required on the ZDP Final Payment Date to satisfy the Final Capital Entitlement. Inland may satisfy its obligations to ZDPCo (for the benefit of ZDP Shareholders) out of the proceeds of new issues of securities, borrowings, accumulating cash from property sales or by selling a portfolio of properties. In addition to Inland's general obligation under the Contribution Agreement to ensure that it has the resources to pay ZDP Shareholders' Capital Entitlements when due, ZDPCo will hold or have first charges over Pledged Cash held by Inland in the Secured Account and over other Pledged Assets held by members of the Inland Group and its affiliated companies. The Pledged Assets are required to have a value of 120 per cent. of the accrued entitlements of ZDP Shareholders, net of the Pledged Cash, at all times, tested quarterly on Covenant Testing Dates in addition to which ZDPCo will have a claim on the Inland Group's other assets by way of Contribution Agreement whereby Inland is obliged to satisfy all of ZDPCo's liabilities including liabilities to ZDP Shareholders.

		Dividends and other payments to Inland's ordinary shareholders will be restricted while the ZDP Shares are in issue unless the Cover Ratio is at least 1.8 times immediately following any such payment. Inland will be restricted from purchasing further sites on terms where the Inland Group's Gearing Ratio of Financial Indebtedness and accrued ZDP Liability to Assets exceeds 40 per cent. while the ZDP Shares are in issue.
B.19	Section B information about the guarantor as if it were the issuer of the same type of security that is the subject of the guarantee. Therefore provide such information as required for a summary for the relevant annex.	Information on Inland required for this summary is included in respect of each paragraph of this section B as follows:
	B.1 The legal and commercial name of the guarantor	Inland Homes PLC
	B.2 The domicile and legal form of the guarantor, the legislation under which and guarantor operates and its country of incorporation	Inland is domiciled and incorporated in England and Wales; and operates under the Companies Act 2006.
	B.3 A description of, and key factors relating to, the nature of the guarantor's current operations and its principal activities, stating the main categories of products sold and/or services performed and identification of the principal markets in which the guarantor competes.	Inland is the holding company of a predominantly brownfield property development group. It acquires sites with the potential for development, applying for planning consents, arranging site remediation and installing infrastructure and, in some cases, working with its associated company, Howarth Homes PLC, or another main contractor, to build houses. Some of Inland's brownfield development projects are held in joint ventures. Inland's principal markets are those for consented residential building plots and for completed homes. Inland will apply net proceeds of the ZDP Share issue to provide working capital for its property development business.
	B.4a A description of the most significant recent trends affecting the guarantor and the industries in which it operates	Land price trends vary regionally, but are rising in the South and South-East of England where most of Inland's sites are located. Although construction activity in the residential sector is increasing, overall construction activity in this sector is low and Inland has experienced an overall willingness by contractors to negotiate a lower profit margin to secure new projects.
	B.5 If the guarantor is part of a group, a description of the group and the guarantor's position within the group	Inland is the group holding company with six subsidiaries engaged in property development activities and a subsidiary finance company all of which are wholly owned by Inland. In addition Inland has a 33 per cent. interest in Howarth Homes. ZDPCo is also a newly formed wholly owned subsidiary of Inland.

B.6 In so far as is known to the guarantor, the name of any person who, directly or indirectly, has an interest in the guarantor’s capital or voting rights which is notifiable under the guarantor’s national law, together with the amount of each such person’s interest. Whether the guarantor’s major shareholders have different voting rights if any. To the extent known to the guarantor, state whether the guarantor is directly or indirectly owned or controlled and by whom and describe the nature of such control.	So far as is known to Inland by virtue of the notifications made to or pursuant to the Disclosure and Transparency Rules, at the Latest Practicable Date, the following persons hold, directly or indirectly 3 per cent. or more of Inland’s voting rights: <table><tr><th><i>Name</i></th><th><i>Number of voting rights held</i></th><th><i>per cent, of voting rights</i></th></tr><tr><td>Mark Dixon</td><td>24,000,000</td><td>13.21</td></tr><tr><td>Karoo Investment Fund SCA SICAV SIF</td><td>22,700,000</td><td>12.49</td></tr><tr><td>Stephen Wicks</td><td>16,237,332</td><td>8.94</td></tr><tr><td>Anthony Brett</td><td>11,500,000</td><td>6.33</td></tr><tr><td>Nishith Malde</td><td>11,072,400</td><td>6.09</td></tr><tr><td>Henderson Global Investors Ltd</td><td>10,098,143</td><td>5.56</td></tr><tr><td>Unique Ltd</td><td>6,652,329</td><td>3.11</td></tr></table> No person has direct or indirect control of Inland and none of its major shareholders have different voting rights.	<i>Name</i>	<i>Number of voting rights held</i>	<i>per cent, of voting rights</i>	Mark Dixon	24,000,000	13.21	Karoo Investment Fund SCA SICAV SIF	22,700,000	12.49	Stephen Wicks	16,237,332	8.94	Anthony Brett	11,500,000	6.33	Nishith Malde	11,072,400	6.09	Henderson Global Investors Ltd	10,098,143	5.56	Unique Ltd	6,652,329	3.11																																												
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		Demand for consented land improved in the year to 30 June 2010, leading to an improvement in turnover and a return to profitability. This demand was sustained in the year to 30 June 2011 with good performance demonstrating the positive market trend in the South and South-East of England irrespective of the general weakness in the house building industry elsewhere in the UK. The reduction in turnover and profits during the year ended 30 June 2012 did not arise from a deterioration in the Group's development projects but from a lower number of completed homes being sold and no land sales from the land portfolio owned by the Group. A decision was also made by Inland to defer a particular land sale in order to maximise value. The Group has sold a total of 213 plots and completed homes for total consideration of £13.35 million between 30 June 2012 and the Latest Practicable Date paying £1.5 million in deferred consideration and reducing net debt. During this period the Group was granted an improved planning consent at Queensgate Farnborough for 276 residential units; received detailed planning permission for 127 residential plots (including 14 affordable units) for the northern part of St John's Hospital, Chelmsford; and obtained a resolution to grant planning consent for 268 residential homes and 108,000 sq. ft. of commercial space at its site at Poole. In addition, the Group signed an agreement with The Defence Infrastructure Organisation, which forms part of the Ministry of Defence, South Bucks District Council (SBDC) and Buckinghamshire County Council to formulate a detailed Development Brief for the future of the Defence School of Languages site at Wilton Park, Beaconsfield, Buckinghamshire and announced a conditional development agreement for the Ashford Hospital site, Middlesex with a national housebuilder in November 2012. Under the development agreement, Inland is providing the consented land into the venture whilst the housebuilder will fund and carry out the construction and manage the sales of the completed units.
	B.8 Selected key pro forma financial information, identified as such. The selected key pro forma financial information must clearly state the fact that because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the company's actual financial position or results.	Not applicable; no pro-forma financial statements have been included in the Prospectus.
	B.9 Where a profit forecast or estimate is made, state the figure.	Not applicable; no profit forecast or estimate.
	B.10 A description of the nature of any qualifications in the audit report on the historical financial information.	Not applicable; no qualified audit report.

	B.11 If the guarantor's working capital is not sufficient for the guarantor's present requirements an explanation should be included.	Not applicable; working capital is sufficient.
	B.18 A description of the nature and scope of the guarantee	Immediately following Admission, ZDPCo will lend the gross proceeds of the Placing to Inland by way of interest free secured Loan Note. The Loan Note and supporting documentation contain certain provisions to protect the interests of ZDPCo and their ZDP Shareholders. The Loan Note will be repayable at par on the ZDP Final Payment Date. In addition, Inland will enter into a Contribution Agreement with ZDPCo on Admission under which it will agree to contribute such amount as may be necessary to ensure that ZDPCo has the cash required on the ZDP Final Payment Date to satisfy the Final Capital Entitlement. Inland may satisfy its obligations to ZDPCo (for the benefit of ZDP Shareholders) out of the proceeds of new issues of securities, borrowings, accumulating cash from property sales or by selling a portfolio of properties. In addition to Inland's general obligation under the Contribution Agreement to ensure that it has the resources to pay ZDP Shareholders' Capital Entitlements when due, ZDPCo will hold or have first charges over Pledged Cash held by Inland in the Secured Account and over other Pledged Assets held by members of the Inland Group and its affiliated companies. The Pledged Assets are required to have a value of 120 per cent. of the accrued entitlements of ZDP Shareholders, net of the Pledged Cash, at all times, tested quarterly on Covenant Testing Dates in addition to which ZDPCo will have a claim on the Inland Group's other assets by way of Contribution Agreement whereby Inland is obliged to satisfy all of ZDPCo's liabilities including liabilities to ZDP Shareholders. Dividends and other payments to Inland's ordinary shareholders will be restricted while the ZDP Shares are in issue unless the Cover Ratio is at least 1.8 times immediately following any such payment. Inland will be restricted from purchasing further sites on terms where the Inland Group's gearing ratio of Financial Indebtedness and accrued ZDP Liability to Assets exceeds 40 per cent. while the ZDP Shares are in issue.

Section C - Securities		
C.1	A description of the type and the class of the securities being offered and/or admitted to trading, including any security identification number.	Zero dividend preference shares of 10p each are to be issued by ZDPCo with ISIN GB00B99R1Q79 Application has been made for the ZDP Shares to be admitted to trading on the London Stock Exchange's main market for listed securities.
C.2	Currency of the securities issue.	Sterling
C.3	The number of shares issued and fully paid and issued but not fully paid. The par value per share, or that the shares have no par value.	Up to 8,500,000 ZDP Shares issued fully paid; 10p per ZDP Share.
C.4	A description of the rights attached to the securities.	ZDPCo will be wound up on 10 April 2019 when ZDP Shareholders will be entitled to receive a Final Capital Entitlement of 155.9 pence per ZDP Share, which is equivalent to a Redemption Yield of 7.3 per cent. based on the Placing Price. The ZDP Shares carry (i) no right to any dividends; and (ii) no voting rights save that any variation of their class rights is subject to ZDP Shareholders approval at an extraordinary general meeting.
C.5	A description of any restrictions on the free transferability of the securities.	The ZDP Shares are freely transferable (except for any restriction imposed for failure to comply with a notice under section 793 of the Companies Act 2006 (Notice by company requiring information about interests in its shares)).
C.6	An indication as to whether the securities offered are or will be the object of an application for admission to trading on a regulated market and the identity of all the regulated markets where the securities are or are to be traded.	The ZDP Shares are being placed with institutional investors and are not being offered to the public. Application has been made to the UK Listing Authority and to the London Stock Exchange respectively for admission (i) of the ZDP Shares to the Official List (by way of a standard listing under Chapter 14 of the Listing Rules) and (ii) of the ZDP Shares to the London Stock Exchange's market for listed securities. It is expected that Admission will become effective and that unconditional dealings in the ZDP Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 20 December 2012.
C.7	A description of dividend policy.	Not applicable to ZDPCo. No dividends will be paid to holders of ZDP Shares. Inland may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the Inland Directors. The Inland Directors declared a maiden dividend of 0.067 pence per ordinary share payable on 17 December 2012.

Section D - Risks		
D.1	Key information on the key risks that are specific to the issuer or its industry.	Investors should consider carefully the following risks which could have a material adverse effect on ZDPCo and/or Inland: Changing local or national trends are likely to occur as a result of competing residential developments or political initiatives. Significant upward changes in interest rates may affect residential land prices as the demand for residential property would be affected. A decline in the value of development land held by Inland may restrict Inland's ability to ensure that ZDPCo has sufficient resources on the ZDP Final Payment Date to satisfy the Capital Entitlement, or provide sufficient tangible assets as security to ZDPCo, prior to the ZDP Final Payment Date. The planning process can be lengthy and delays often occur such that the process may span several accounting periods. Accordingly, there may be delays in realising value from development projects. Delays and uncertainties arising from the adoption of the Community Infrastructure Levy by local authorities may have a detrimental effect on the supply and pricing of land being marketed by landowners and impede sales. The Group views the assessment of environmental risk as an important element of its due diligence when acquiring land. However, there can be no guarantee that the Group will not incur unexpected liabilities such as clean-up costs and fines for environmental pollution in respect of development sites acquired by the Group. Significant falls in asset values arising from any of the above could impair the value of Inland's assets causing a reduction in the Cover Ratio, which could lead to a reduction in the market price of ZDP Shares. A very substantial fall in asset values or delays in cash receipts could lead to Inland being unable to pay ZDP Shareholders' Capital Entitlements on the due date.
D.2	Key information on the key risks that are specific to the issuer.	The Group undertakes extensive pre-acquisition due diligence on planning, technical and environmental issues together with acquiring housing sites identified in councils' Local Plans. However, there can be no guarantee that any specific permits, consents or approvals required from third parties in connection with existing or new development projects will be issued or granted to the Group. While every site in which the Group has an interest was subject to planning risks at the time of acquisition, many of the relevant consents have been achieved. The site where failure to get planning consent would have a material impact on the Group as at the date of this document is the planning application for the development of the southern section of the former St John's Hospital site at Chelmsford. Failure to obtain such permits, consents or approvals may also affect the Group's ability to execute or complete new development projects.

		The Group is exposed to the risk of delays arising from the lengthy nature of the planning process. Risks of delays and uncertainties may also arise from the adoption of the Community Infrastructure Levy by local authorities, which may have a detrimental effect on the supply and pricing of land being marketed by landowners and impede sales. The ultimate success of Inland is dependent in part on property prices remaining stable or rising. There is no guarantee that this will be the case. There is also no guarantee that the Group will be able to sell the development sites in its portfolio. The ZDP Shares rank prior to ZDPCo's ordinary shares in respect of the Capital Entitlement. Although that is the case and ZDPCo will have first charges over certain tangible assets of the Inland Group, ZDPCo will rank behind any first ranking secured creditors of Inland other than in respect of the Pledged Cash and Pledged Assets. Inland's obligations under the Contribution Agreement will effectively be subordinated behind the Loan Facilities in respect of other assets in Inland or held by members of the Inland Group. Therefore, it is not guaranteed that the Capital Entitlement will be paid. If Inland became insolvent, ZDPCo would make a claim for the amount due to its creditors and to ZDP Shareholders under the Loan and Contribution Agreements and could enforce its first charges over the Pledged Cash and Pledged Assets, the realisable value of which is not certain. ZDPCo's claim (other than in respect of the Pledged Cash and Pledged Assets) would be as an unsecured creditor of Inland and would rank behind other prior ranking creditors and certain other unsecured liabilities of the Inland Group. The security arrangements whereby Inland is obliged to provide additional security within three months of the value of the Pledged Assets falling below 120 per cent. of the accrued amount due to ZDP Shareholders, net of the Pledged Cash, provide protection for ZDP Shareholders where the value of Pledged Assets falls gradually and Inland has other unencumbered assets which it can pledge to ZDPCo. The risk is also mitigated by gearing restrictions which limit Inland's ability to acquire additional sites (whereby additional sites increase its exposure to falling property prices). These arrangements would not necessarily protect ZDP Shareholders in all circumstances and there remains a risk that a rapid fall in asset values and/or Inland becoming unable to provide additional security or realise cash for ZDP Shareholders at the relevant time, could result in a failure of ZDPCo to pay ZDP Shareholders their Capital Entitlement.
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		The impact of operational risks which cause a reduction in the Cover Ratio is a possible fall in the market price of ZDP Shares. If any risks highlighted were to occur which caused a significant reduction in asset values of, or adversely affected the cash flows of, the Inland Group this could lead to ZDP Shareholders not receiving their Capital Entitlement in full and could also result in delays in ZDP Shareholders receiving the cash due to them.
D.3	Key information on the key risks that are specific to the securities.	Investors should consider carefully the following risks which could have a material adverse effect on an investment in the ZDP Shares: • there may not be a liquid secondary market for the ZDP Shares, the price of which may fluctuate; • holders of ZDP Shares may not receive the Final Capital Entitlement; and • future ZDP share issues or dividends or return of capital by Inland in the longer term could dilute the interests of the holders of existing ZDP Shares and lower the price of the ZDP Shares. The security arrangements limit the amounts of new ZDP Shares which may be issued and also restrict any dividends or return of capital by Inland by requiring that the Cover immediately after such dividend or return of capital is at least 1.8 times. A reduction in the Cover Ratio caused by the issue of further ZDP Shares, could lead to a fall in the market price of a ZDP Share. • Any change in taxation legislation in the UK could affect the taxation of returns derived from investing in ZDP Shares. Statements in this document concerning the taxation of investors in shares are based on current law and practice, which is subject to change.
Section E – Offer		
E.1	The total net proceeds and an estimate of the total expenses of the issue/offer, including estimated expenses charged to the investor by the issuer or the offeror.	The gross proceeds of the Placing are up to £8.50 million, the estimated expenses of the issue are £0.42 million and the net proceeds are expected to be up to £8.08 million.
E.2a	Reasons for the offer, use of proceeds, estimated net amount of the proceeds.	The estimated net proceeds of the Placing are £8.08 million, the receipt of which will enable the Inland Group to acquire additional sites including a site at Beaconsfield to which it is anticipated that approximately £2.5 million of the Placing proceeds will be applied towards the purchase price if the transaction completes. Pending investment in new sites Inland may apply £2-4 million of the Placing proceeds to pay the balance of any deferred consideration outstanding in relation to sites which it is in the process of selling. Settling such liabilities earlier than it would otherwise have done would save interest and facilitate the intended sale of the site. This Prospectus is being published for the admission of ZDP Shares to trading on a regulated market.

E.3	A description of the terms and conditions of the offer.	The Placing is subject to the Placing Agreement becoming unconditional in accordance with its terms, the principal outstanding condition being Admission occurring on or before 8.00 a.m. London time on 20 December 2012 (or such later time or date as Libertas, Inland and ZDPCo may agree being no later than 11 January 2013).
E.4	A description of any interest that is material to the issue/offer including conflicting interests.	There are no interests which are material to the issue. Save for any conflict of interest which may arise between Inland or ZDPCo, there are no conflicts of interest between (i) any duties to Inland or to ZDPCo, of any of the Directors and (ii) their private interests and/or other duties.
E.5	Name of the person or entity offering to sell the security. Lock-up agreements: the parties involved; and indication of the period of the lock up.	Not applicable to the Placing. There is no offer of ZDP Shares to the public. Not applicable; there are no lock up agreements.
E.6	The amount and percentage of immediate dilution resulting from the offer. In the case of a subscription offer to existing equity holders, the amount and percentage of immediate dilution if they do not subscribe to the new offer.	Not applicable; the ZDP Shares are accounted for as debt and are not being issued to existing shareholders of Inland.
E.7	Estimated expenses charged to the investor by the issuer or the offeror.	Not applicable; no expenses will be charged to ZDP Share investors.

RISK FACTORS

In addition to all other information set out in this document, the following specific factors should be considered carefully when evaluating whether to make an investment in the ZDP Shares. The risks set out below are those which are considered to be material but are not the only risks relating to the ZDP Shares, ZDPCo and Inland. There may be additional risks that ZDPCo and Inland do not currently consider to be material or of which ZDPCo and Inland are not aware.

Inland's business, financial condition, performance, prospects, results and/or share price could be materially and adversely affected by any of the risks described below. If any of the adverse events described below actually occurs, investors may lose all or part of their investment in ZDP Shares, the returns on which are subject to Inland's financial position.

1. Risks Relating to the ZDP Shares

1.1 Share price volatility and liquidity.

The market price of the ZDP Shares could be subject to significant fluctuations due to a change in investor sentiment regarding ZDPCo or the industry in which the Inland Group operates or in response to specific facts and events, including positive or negative variations in the Group's interim or full year operating results or its ability to realise properties or respond to business development opportunities for the Group and/or to the actions of competitors. The market price of the ZDP Shares may not reflect the underlying value of the assets (pledged or otherwise) available as security and it is possible that the market price of the ZDP Shares will trade at a discount to their net discounted redemption value. Potential investors should be aware that the value of shares can go down as well as up.

1.2 The proposed standard listing of the ZDP Shares will afford ZDP Shareholders a lower level of regulatory protection than a premium listing.

Application will be made for the ZDP Shares to be admitted to a standard listing on the Official List. A standard listing will afford ZDP Shareholders in ZDPCo a lower level of regulatory protection than that afforded to investors in companies with premium listings on the Official List, which are subject to additional obligations under the Listing Rules. Further details regarding the differences in the protections afforded by a premium listing as against a standard listing are set out in the section entitled "Consequences of a Standard Listing of the ZDP Shares" on page 23.

1.3 There may not be a liquid secondary market for the ZDP Shares, the price of which may fluctuate.

There may not be a liquid secondary market for the ZDP Shares and an investment of this type should be regarded as long-term in nature and may not be suitable as a short-term investment. In addition, the value of the ZDP Shares can go down as well as up. The market price and the realisable value of the ZDP Shares, as well as being affected by the underlying value of Inland's net assets and performance, will be affected by interest rates, supply and demand for the ZDP Shares, market conditions and general investor sentiment as to the ability of ZDPCo to pay the Final Capital Entitlement to ZDP Shareholders. As such, the market value and the realisable value (prior to payment of the Final Capital Entitlement) of the ZDP Shares will fluctuate and may vary considerably. In addition, the published market price of the ZDP Shares will be, typically, their middle market price. Due to the potential difference between the middle market price of the ZDP Shares and the price at which the ZDP Shares can be sold, there is no guarantee that the realisable value of the ZDP Shares will be the same as the published market price.

ZDP Shareholders only have the right to receive the Final Capital Entitlement on the ZDP Final Payment Date and not before. ZDP Shareholders wishing to realise their investment prior to the relevant Repayment Date may dispose of their ZDP Shares on the stock market.

Market liquidity in the shares of companies such as ZDPCo may be less than market liquidity in shares issued by larger companies traded on the London Stock Exchange. There can be no guarantee that a liquid market will exist for the ZDP Shares. Accordingly, ZDP Shareholders may be unable to realise ZDP Shares prior to the ZDP Final Payment Date at all.

Listing should not be taken as implying that there will be a liquid market for the ZDP Shares. There is no guarantee that an active market will develop or be sustained for the ZDP Shares after listing. If an active trading market is not developed or maintained, the liquidity and trading price of the ZDP Shares could be adversely affected. Even if an active trading market develops, the market price for the ZDP Shares may fall below the Issue Price and ZDP Shareholders may not realise their initial investment.

1.4 The market price of ZDP Shares could fall as a result of operating and property market factors

A significant fall in the market value of the Group's assets (pledged or otherwise) or unexpected significant liabilities arising could reduce the value of assets available to Inland to honour its commitments to ZDPCo, causing the Cover Ratio to fall, which could lead to a fall in the market price of ZDP Shares.

Such a fall in asset values could be caused by many factors. Certain potential causes, which are described in more detail below are: falling market values of the Group's brownfield sites, consented land and homes (paragraph 2.1), macro economic factors (paragraph 3.1), planning (paragraph 3.2.1) and losses in joint ventures (paragraph 3.2.4).

Potential causes of significant liabilities could also arise from several factors including: environmental liabilities (paragraph 3.2.3) and pensions (paragraph 3.2.5).

1.5 Holders of ZDP Shares may not receive their Capital Entitlement.

There is a risk that ZDP Shareholders may not receive the Capital Entitlement in full when due, whether on the ZDP Final Payment Date, or earlier if an event occurs which results in the Capital Entitlement becoming due prior to the ZDP Final Payment Date. Under ZDPCo's Articles, ZDP Shareholders' Capital Entitlement accrues over time such that if their Capital Entitlement falls due prior to the ZDP Final Payment Date, the amount due to ZDP Shareholders will be less than the Final Capital Entitlement.

The ZDP Shares rank prior to ZDPCo's ordinary shares in respect of the Capital Entitlement. Although that is the case and ZDPCo will have first charges over certain tangible assets, ZDPCo will rank behind any first ranking secured creditors of Inland other than in respect of the Pledged Cash and Pledged Assets. Inland's obligations under the Contribution Agreement will effectively be subordinated behind the Loan Facilities in respect of other assets in Inland or held by its subsidiaries. Inland may not be able to ensure that ZDPCo has sufficient assets on the ZDP Final Payment Date to satisfy the Final Capital Entitlement or on any earlier date when payment of their Capital Entitlement falls due. Therefore, there can be no certainty that the Capital Entitlement will be paid.

If Inland became insolvent, ZDPCo would make a claim for the amount due to its creditors and to ZDP Shareholders under the Loan and Contribution Agreements and could enforce its first charges over the Pledged Cash and Pledged Assets, the realisable value of which is not certain.

The security arrangements whereby Inland is obliged to provide additional security within three months of the value of the Pledged Assets falling below 120 per cent. of the accrued amount due to ZDP Shareholders, net of the Pledged Cash, provide protection for ZDP Shareholders where the value of Pledged Assets falls gradually and Inland has other unencumbered assets which it can pledge to ZDPCo. The risk is also mitigated by gearing restrictions which limit Inland's ability to acquire additional sites (whereby additional sites increase its exposure to falling property prices) if following the proposed purchase its Gearing Ratio of (i) Financial Indebtedness plus the ZDP Liability to (ii) its Assets would exceed 40 per cent. These arrangements would not necessarily protect ZDP Shareholders in all circumstances and there remains a risk that a rapid fall in asset values and/or Inland becoming unable to provide additional security or realise cash for ZDP Shareholders at the relevant time, could result in a failure of ZDPCo to pay to ZDP Shareholders their Capital Entitlement.

While the security arrangements described above reduce the risk of ZDP Shareholders not receiving their Capital Entitlement on the due date, they do not eliminate it. There remains a risk that if the Inland Group suffers sufficiently significant losses to eliminate its net assets and cause a deficit in circumstances where the amounts realised in respect of the Pledged Assets plus the Pledged Cash falls short of the accrued amount due to ZDP Shareholders in respect of their ZDP Shares, ZDP Shareholders may not receive their Capital Entitlement in full. The Directors don't believe that the risk of nothing being available to ZDP Shareholders in such circumstances is a material risk, because whatever can be realised by selling the Pledged Assets (net of realisation and other costs) will be paid to ZDP Shareholders. The Initial Cover Ratio (which is based on the Final Capital Entitlement of 155.9p per ZDP Share) is 2.9 times, indicating that the Assets would only need to realise 34 per cent. of their book value as at 30 June 2012 for ZDP Shareholders to be paid their Final Capital Entitlement. The accrued ZDP Liability 12 months from the date of this document is approximately 107.2 pence per ZDP Share, such that ZDP Shareholders would only suffer a loss of part of their Capital Entitlement at that time if the realised value of the Assets represented a crash by over 72 per cent. of their book value. Such a massive fall in house prices over a 12 month period would have a high impact on Inland and ZDP Shareholders, but is regarded by the Directors as low risk because past experience of acute economic or housing market disruption has not triggered house price falls of this magnitude in the region where the Group operates. The Hurdle Rate of decline beyond which ZDP Shareholders would not receive their Final Capital Entitlement in full is -15.5 per cent. per annum over the period from Admission to the ZDP Final Payment Date, of which there is a higher potential risk.

While ZDPCo has the benefit of certain security, the returns on ZDP Shares are not secured, protected or guaranteed by any third party outside the Inland Group.

1.6 Possible delay in the receipt of Capital Entitlements

If a breach of the covenants in the Loan Note and/or Contribution Agreement (such as a failure by Inland to honour its commitment to ensure that ZDPCo has the resources to pay ZDP Shareholders their Capital Entitlement when due, whether on the ZDP Final Payment Date or earlier) or an event of default under those agreements occurs, such as the insolvency of Inland, ZDPCo will seek to recover the amount due to ZDP Shareholders. Due to the nature of the asset portfolio, a greater sum is likely to be recovered if properties at certain stages in the planning process are sold at a later date with relevant planning consents. Accordingly, circumstances could arise where ZDP Shareholders cannot be paid the full amount due to them on the due date, but may be in a position to receive a greater sum if ZDPCo realised its security over an extended timeframe, than they would get if the relevant assets were sold sooner.

There are several potential causes underlying the risk that ZDP Shareholders' Capital Entitlement may not be paid on the due date. These include market circumstances or the illiquid nature of the Group's assets as described in paragraphs 3.1, and 3.2.2 and below; or by delays arising from planning and environmental issues as described in paragraphs 3.2.1 and 3.2.2; or from construction or other delays in joint ventures as described in paragraph 3.2.4 below.

The Inland Directors consider that the probability of a delay in the payment of Capital Entitlements, if any were to fall due within twelve months of the date of this document as a result of a failure to maintain security cover, is low, for the reasons set out in paragraph 1.5 above.

1.7 Future ZDP Share issues could dilute the interests of the ZDP Shareholders and lower the price of the ZDP Shares.

ZDPCo may issue additional ZDP Shares in future public offerings or private placements. There is a risk that the issue of additional ZDP Shares by ZDPCo, or the possibility of such issue, may in certain circumstances cause the market price of the ZDP Shares to decline as a result of the resultant increase in the liability to ZDP Shareholders as a whole in circumstances where the Cover Ratio is reduced. Under the terms of the Loan Note and Contribution Agreement, no such additional shares may be of a class ranking in priority to the ZDP Shares in respect of distribution or other rights attaching. Additional ZDP Shares may be issued provided that the Cover Ratio of the ZDP Shares, taking such further issue into account, is not less than 1.8 times. Any reduction in the Cover Ratio may change their risk reward characteristics.

2 Risks Relating to Inland's business which may affect Inland's ability to comply with its obligations under the Loan Note and the Contribution Agreement, which are to become effective on Admission

2.1 *Falling values of the Group's properties may affect Inland's ability to comply with its obligations under the Contribution Agreement and Loan Note*

The Contribution Agreement and Loan Note impose a duty on Inland to ensure that ZDPCo has sufficient resources to satisfy its obligations to its creditors and to ZDP Shareholders, which Inland may satisfy by raising new finance, accumulating cash from property sales or selling portfolios of properties. Inland's obligations are secured by first legal charges over the Pledged Cash and Pledged Assets.

Inland's assets comprise property development sites to a significant extent and Inland may not be able to comply with all its obligations to ZDPCo (including its obligation to ensure that ZDPCo has the resources to pay ZDP Shareholders' Capital Entitlements) if the value of these sites falls as a result of a general decline in the housing market in the regions where the Group's assets (including the Pledged Assets) are located.

The Loan Agreement requires that the value of the Pledged Assets is 120 per cent. of the accrued liability to ZDP Shareholders, net of any Pledged Cash, tested quarterly. The Loan Agreement requires Inland to remedy any shortfall (for example by increasing the amount of Pledged Cash or by pledging other assets to ZDPCo) within three months. The Inland Directors may use debt to leverage the Group's assets. Debt will be monitored and reviewed by Inland to ensure that terms relating to interest payments, amortisation and lenders' ratios are adhered to. Where revenues and values fall, these and other terms in debt documents may be breached, giving rise to default provisions requiring remedy by, amongst other possibilities the provision of further security. Any such allocation of additional security could reduce the availability of assets available to be pledged to support ZDPCo in the event of a decline in asset values. If Inland is unable to remedy a shortfall in this 120 per cent. cover, within the permitted three month period, a resolution will be proposed to wind up ZDPCo which will lead to ZDP Shareholders being due to receive their Capital Entitlements in cash before the ZDP Final Payment Date.

2.2 *Inland's assets may be illiquid.*

Inland will seek to manage its cash flows such that amounts required to pay ZDP Shareholders' Capital Entitlement, having regard to any debt or other funding arranged for that purpose, are retained when assets are sold shortly prior to the ZDP Final Payment Date or shortly prior to any other known date when payment will be due to ZDP Shareholders. However, development properties may be difficult or even impossible to realise (and realistically value) at any particular point in time. Even successful investments made by Inland may be illiquid for prolonged periods of time and in general it is likely to be several years before they are capable of sale with planning consents. The inability to sell properties at the relevant time may prevent Inland from paying the Capital Entitlement to ZDP Shareholders on the due date.

3. Risks associated with the Group and its industry which could have an impact on ZDP Shareholders

3.1 *The effects of both normal market fluctuations and the current global economic crisis may impact the business, operating results or financial condition of Inland and its ability to satisfy its obligations to ZDP Shareholders.*

Inland and its portfolio of interests in development properties are materially affected by the UK residential property and mortgage markets in particular including, but not limited to, falling inflation/residential property prices, economic uncertainty, changes in laws or political uncertainty. Inland may be materially affected by conditions in the credit market, which affect purchasers of consented building land and completed houses including rising interest rates and their ability to access debt financing. These factors are outside Inland's control and may affect its ability to realise assets at the expected time, the volatility of underlying property values and the liquidity and the value of its portfolio of development properties. Over several years

considerable declines in the valuation of properties, an acute contraction in the availability of credit and the failure of a number of leading financial institutions have been experienced. As a result, certain government bodies have undertaken intervention programs, the effects of which remain uncertain.

These events have led to a significantly diminished availability of credit, including the availability of and credit criteria applicable to residential mortgages which may impact on demand for both consented building land and completed homes. These macroeconomic developments could negatively affect the business, operating results or financial condition of Inland and its portfolio of development property interests and Inland's ability to comply with its obligations to ZDP Co under the terms of the Loan Note and the Contribution Agreement or to realise sufficient cash at the relevant time such that the Capital Entitlement is not able to be paid to ZDP Shareholders on the due date.

The risk of impact of falling property values affecting ZDP Shareholders is set out in paragraphs 1.4 (possible fall in the market price of ZDP Shares); 1.5 (risk that ZDP Shareholders do not receive their Capital Entitlements in full) and 1.6 (risk of Capital Entitlements not being paid on the due date). Paragraphs 1.5 and 1.6 above also describe the high impact, but low probability, of Capital Entitlements becoming due to ZDP Shareholders within twelve months from the date of this document as a result of Inland failing to maintain security cover, leading to ZDP Shareholders failing to receive the full amounts due to them on the due date.

3.2 Operational risks

3.2.1 Planning

The Group undertakes extensive pre-acquisition due diligence on planning, technical and environmental issues together with acquiring housing sites identified in councils' Local Plans. However, there can be no guarantee that any specific permits, consents or approvals required from third parties in connection with existing or new development projects will be issued or granted to the Group. While every site in which the Group has an interest was subject to planning risks at the time of acquisition, many of the relevant consents have been achieved. The site where failure to get planning consent would have a material impact on the Group as at the date of this document is the planning application for the development of the southern section of the former St John's Hospital site at Chelmsford. Failure to obtain such permits, consents or approvals may also affect the Group's ability to execute or complete new development projects.

The Group is exposed to the risk of delays arising from the lengthy nature of the planning process. Risks of delays and uncertainties may also arise from the adoption of the Community Infrastructure Levy by local authorities, which may have a detrimental effect on the supply and pricing of land being marketed by landowners and impede sales.

While the impact of most planning risks materialising is moderate additional cost or delay, some consents are fundamental to the viability of a specific project or redevelopment scheme, such that the impact of a failure to secure an important consent could trigger a loss of value which is recognised in profit and loss and may result in an eventual loss occurring on disposal of the site. This could occur in relation to more than one site and could affect a site which is a Pledged Asset, the potential effect of which is described in paragraph 2.1 above.

If losses and/or delays are sufficiently significant, the Group's ability to finance ZDP Shareholders' Capital Entitlements on the due date may be impaired as described in paragraph 1.6 above.

Impairment provisions following a failure to obtain a fundamental planning consent, which are required when values of properties fall below book value, could result in a prohibition on dividends being paid to holders of Inland Ordinary Shares if payment of such dividends would result in the Cover Ratio falling below 1.8 times.

3.2.2 Market

The ultimate success of Inland is dependent in part on the values of its properties remaining stable or rising. There is no guarantee that this will be the case. There is also no guarantee that the Group will be able to sell the development sites in its portfolio.

The Group is exposed to potential risk if the value of its property development assets falls as a result of a general decline in the housing market in the regions where the Group chooses to operate. This may not only give rise to losses, but also have an adverse impact on the timing of sales as potential purchasers see a potential benefit of being able to buy consented land or completed houses at lower prices if they wait.

The Group seeks to mitigate this risk by ensuring that its sites are in good locations thus providing some protection against any downturn in the market and that the completion of its projects is staggered so that the Group is not overly dependent on the state of the market at a specific time.

The impact of falling prices includes a potential requirement for impairment provisions, lower than expected revenues and profits, potential losses and, as explained above, delayed sales and cash inflow. The impairment provisions, which are required when values fall below book value, could trigger a prohibition on dividends being paid to holders of Inland Ordinary Shares if payment of such dividends would result in the Cover Ratio falling below 1.8 times. There is a risk that falls in the Cover Ratio are also likely to result in a decline in the market price of ZDP Shares. The specific impact on ZDP Shareholders in relation to falling Pledged Asset values is described in paragraph 2.1 above. Delayed cash receipts may restrict the Group's ability to take advantage of lower prices to buy sites on attractive terms. The Group has sufficient cash resources and discretion over future expenditure to continue to trade even if it was unable to sell any inventories for twelve months from the date of this document. In practice the Group has been able to sell some houses in previous falling markets, such as sales to housing associations with current unmet needs, however, if market conditions prevented sales for a period of several years, companies in the Inland Group could become insolvent by virtue of being unable to pay their debts when due. The latter could include an inability to pay ZDP Shareholders their Capital Entitlements on the due date as explained in paragraph 1.5 above.

3.2.3 Environmental liability

The Group views the assessment of environmental risk as an important element of its due diligence when acquiring land. The Group takes remediation costs etc into account when negotiating the purchase price of sites whenever it is aware of contamination or other environmental problems. However, there can be no guarantee that the Group will not incur unexpected liabilities such as clean-up costs and fines for environmental pollution in respect of development sites after they have been acquired by the Group.

While the Group has not hitherto suffered from any significant losses arising from environmental problems, the Inland Board is conscious that contamination is not always evident and may only be discovered following the purchase of a site, for example when digging foundations or trenches for utility services. Depending on the nature and scale of any such environmental problem, clean-up and other costs could be significant in relation to the value of the site and, potentially, to the Group as a whole in the case of larger sites.

The impact of unexpected environmental liabilities is generally limited to the potential write-off of the amount invested in the relevant site (ie where remediation costs exceed the site's value and a decision is taken not to spend any additional cash on it). The exception arises where contamination affects neighbouring land, such as polluting a water course flowing to other sites, where there could be an obligation to spend more money to clean up the site than the site is worth after doing so. The geographical spread of the Group's development sites mitigates the potential impact because environmental liabilities are site specific. However separate unforeseen environmental liabilities could arise on more than one site, which could have an adverse effect on the business prospects, results of operations or financial position of the Group which would in turn have an adverse impact on the ability of ZDPCo to pay ZDP Shareholders their Capital Entitlement in whole or part when due.

Any such costs, loss of value and cash outflow could have an adverse impact on ZDP Shareholders as explained in paragraphs 1.4 and 1.5 above if they are sufficiently material. The time taken to clean up a contaminated site in order to be able to sell it, could delay receipts expected to be applied to pay ZDP Shareholders' Capital Entitlement on the due date which could impact on the timing of payments to ZDP Shareholders as explained in paragraph 1.6 above.

Impairment provisions following the discovery of unforeseen environmental problems, which are required when values fall below book value, could trigger a prohibition on dividends to holders of Inland Ordinary Shares if they resulted in the Cover Ratio falling below 1.8 times. Any reduction in the Cover Ratio could result in a decline in the market price of ZDP Shares.

3.2.4 Joint ventures

Inland has diversified its risk profile by managing joint ventures in which third parties have invested. The joint venture agreements confer certain rights on the joint venture partners as a result of which Inland may have very limited ability to make decisions, such as material variations in the plan for the development of certain sites, without the consent of third parties, which may not be forthcoming and, in some cases, the joint venture agreement may expose the relevant Inland Group company to construction risks. By way of a specific example, Inland has recently entered into a joint venture with a major housebuilder to develop its hospital site at Ashford. The basis of the joint venture agreement is that Inland contributes the site and the housebuilder undertakes the construction. Inland generally seeks to transfer construction risks such as cost overruns, shortages of materials and delays to the lead contractor it is working with; but joint ventures with construction companies expose the Inland Group to such risks which can have a material impact on the profitability of individual developments and, potentially, in the case of a large site like Ashford Hospital, on the Inland Group.

The impact of losses in joint ventures, whether or not related to construction, is a reduction in the value of Inland's investment in the relevant joint venture and, in some cases, an inability to recover loans to the joint venture in full. Any such loss of value could result in a prohibition on dividends being paid to holders of Inland Ordinary Shares if payment of such dividends would result in the Cover Ratio falling below 1.8 times.

Any failure or delay in the recovery of a significant amount of cash from joint ventures could impair Inland's ability to pay ZDP Shareholders' Capital Entitlements on the due date as described in paragraph 1.5 and 1.6 above.

3.2.5 Risk relating to a potential pension liability of Poole Investments PLC

Poole Investments PLC, a subsidiary undertaking of Inland, ceased to participate in its operating subsidiary's pension scheme when it disposed of its former subsidiaries in May 2004. The scheme's principal employer, Pilkington's Tiles Limited went into administration on 14 June 2010 and as a result Poole may be liable for some of the cost of securing the liabilities of the scheme pertaining to its two former employees if there is found to be a deficit in the scheme's fund. No provision has been made in the financial statements of Inland as the Directors believe that there is material uncertainty over the basis and calculation of any obligation that may fall to be payable by Poole. If Poole is found to have an obligation to settle a material liability of the scheme this could have an adverse effect on the business, prospects, results of operations and financial position of the Group which in turn could prejudice Inland's ability to comply with its obligations to ZDPCo under the terms of the Loan Notes and the Contribution Agreement such that the Final Capital Entitlement is not able to be paid to ZDP Shareholders. Any material reduction in the value of the Group's net assets would also reduce the Cover Ratio and could lead to a reduction in the market price of ZDP Shares.

4 Risks Relating to Taxation

Changes in taxation legislation may adversely affect Inland and the ZDP Shareholders.

Any change in taxation legislation or practice in the United Kingdom could affect the tax treatment of the ZDP Shares and the tax treatment of the Capital Entitlement, such as treating gains realised on sale of ZDP Shares as income, which is currently taxed at higher rates than gains.

5. Risk factors relating to the Inland Group which are not considered material to ZDP Shareholders.

5.1 Land

The execution of the Group's business strategy depends on its ability to identify and execute new development projects, promote and dispose of land. Land for development projects can be difficult to obtain for reasons such as competition in the real estate market, the lengthy process of obtaining planning consents and the limited availability of land with appropriate infrastructure.

As a result of the time lag between acquiring sites and their disposal following planning and other work, the profits Inland recognises in the short term almost all derive from its current portfolio of development projects. However, failure to source suitable new opportunities at prices commensurate with the associated development risks and rewards would lead to the Group being unable to generate profit for the longer term. Any such deterioration in Inland's prospects could lead to a fall in the price of its Ordinary Shares. Although this is a material risk for Inland, failure to identify and invest in new land would result in the accumulation of cash as the existing portfolio is realised and reduce the risk of Inland being able to satisfy its commitments to ZDPCo.

5.2 Dependence on key personnel

The Group's business model is reliant on a small number of key personnel, whose expertise in their particular business field is important to the fortunes of the Group. The Group is dependent, in particular, on its senior staff, without whom it would have difficulty in growing the business in the highly competitive markets in which it operates. The loss of key personnel and/or the inability to recruit further key personnel could have a material adverse effect on the future of the Group through the impairment of its ability to identify and pursue appropriate investment opportunities and the loss of existing Group relationships (such as relationships with vendors and agents through whom Inland sources its opportunities to acquire sites, where such relationships are personal to the senior Inland executives). The Company has key man insurance cover in respect of Stephen Wicks, Nishith Malde and Paul Brett which is expected to provide Inland with £1,000,000 each if they should die. While the loss of key personnel would damage the future prospects of the Group, it would not, of itself cause any reduction in the value of the Group's assets or ability to meet its obligations to ZDP Shareholders.

FORWARD LOOKING STATEMENTS

Some of the statements under "*Summary Information*", "*Risk Factors*", "*Part 1: Information on Inland, Part 2 Information on ZDPCo and Part 5 Financial and other information on Inland*" and elsewhere in this document include forward-looking statements which reflect the Group's or, as appropriate, the Directors' current views with respect to financial performance, business strategy, plans and objectives of management for future operations. These statements include forward-looking statements both with respect to the Group and the sectors and industries in which the Group operates. Statements which include the words "expects", "intends", "plans", "believes", "projects", "anticipates", "will", "targets", "aims", "may", "would", "could", "continue" and similar statements of a future or forward-looking nature identify forward-looking statements.

All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause Inland's actual results to differ materially from those indicated in these statements. These factors include but are not limited to those described in the part of this document entitled "*Risk Factors*", which should be read in conjunction with the other cautionary statements that are included in this document. Any forward-looking statements in this document reflect the Group's current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Group's operations, results of operations and growth strategy.

These forward-looking statements speak only as of the date of this prospectus. Subject to any obligations under the Prospectus Rules, the Listing Rules and the Disclosure and Transparency Rules, neither Inland nor ZDPCo undertakes any obligation publicly to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward-looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision.

CONSEQUENCES OF A STANDARD LISTING OF THE ZDP SHARES

Application has been made for the ZDP Shares to be admitted to a standard listing on the Official List pursuant to Chapter 14 of the Listing Rules, which sets out the requirements for standard listings. ZDPCo is not formally subject to the Listing Principles (as set out in Chapter 7 of the Listing Rules) and will not be required to comply with them. As a consequence of the standard listing, additional on-going requirements and protections applicable to a premium listing under the Listing Rules will not apply to ZDPCo. ZDP Shareholders in ZDPCo will therefore not receive the full protections of the Listing Rules associated with a premium listing on the Official List.

An applicant that is applying for a standard listing of equity securities must comply with all the requirements listed in Chapter 2 of the Listing Rules, which specifies the requirements for listing for all securities. Listing Rule 14.3 sets out the continuing obligations applicable to ZDPCo and requires that ZDP Co's listed securities must be admitted to trading on a regulated market at all times. ZDPCo must have a minimum number of shares of any listed class (25 per cent.) in public hands at all times in the relevant jurisdictions and must notify the FSA as soon as possible if these holdings fall below the stated level. There are a number of other continuing obligations set out in Chapter 14 of the Listing Rules that will be applicable to ZDPCo. These include requirements as to:

- (a) the forwarding of circulars and other documentation to the FSA for publication through the national storage mechanism, and related notification to a regulatory information service;
- (b) the provision of contact details of appropriate persons nominated to act as a first point of contact with the FSA in relation to compliance with the Listing Rules and Disclosure and Transparency Rules;
- (c) the form and content of temporary and definitive documents of title;
- (d) the appointment of a registrar;
- (e) the regulatory information service notification obligation in relation to a range of debt and equity capital issues; and
- (f) compliance with the Disclosure and Transparency Rules.

Chapter 14 of the Listing Rules, which sets out the requirements for standard listings, does not require ZDPCo to comply with, *inter alia*, the provisions of Chapters 6 to 13 (inclusive) of the Listing Rules, these being additional requirements for listing equity securities (listing principles, sponsors, continuing obligations, significant transactions, related party transactions, dealing in own securities and treasury shares and contents of circulars). Chapter 6 of the Listing Rules contains additional requirements for listing of equity securities, which are only applicable for commercial companies with a "premium" listing. Consequently, ZDPCo does not intend to comply with such provisions. ZDPCo is not required, and does not intend, to appoint a listing sponsor under Chapter 8 of the Listing Rules to guide ZDPCo in understanding and meeting its responsibilities under the Listing Rules. The provisions of Chapter 9 of the Listing Rules (continuing obligations) will not apply to ZDPCo. Chapter 9 includes provisions relating to transactions, including, *inter alia*, requirements relating to further issues of shares, the ability to issue shares at a discount in excess of 10 per cent. of market value, notifications and contents of financial information.

In addition, the Loan Note and ZDPCo's Articles (relevant provisions of each of which are set out in Parts 2 and 7 of this document) contain certain limitations on the actions of ZDPCo which are designed to protect the interests of the ZDP Shareholders. For example, a special resolution of ZDP Shareholders is required in respect of the issue of shares or securities by ZDPCo which would rank in priority to or *pari passu* with the ZDP Shares. Inland has also undertaken that it will remain the sole holder of ZDPCo's ordinary shares.

In the event that ZDPCo voluntarily decides to comply with any Listing Rules which are applicable solely to companies with a premium listing, it should be noted that neither the UK Listing Authority nor the London Stock Exchange will have the authority to monitor such compliance, (and will not do so), nor will either of them impose sanctions in respect of any breach of such requirements by a ZDPCo.

No sponsor is or will be appointed in respect of ZDPCo.

PLACING STATISTICS

The following illustrative financial statistics are based on, and should be read in conjunction with, the Assumptions set out in Part 6 of this document. Prospective investors should note that actual outcomes can be expected to differ from these illustrations. The illustrations are not guarantees of future performance and involve certain risks and uncertainties that are hard to predict. Investors should therefore not rely on the illustrations. The attention of prospective investors is also drawn to the risk factors set out on pages 15 to 22 of this document.

ZDP Shares

Issue Price per ZDP Share	100 pence
Number of ZDP Shares expected to be issued in the Placing	8,500,000
ZDP Final Payment Date	10 April 2019
Final Capital Entitlement per ZDP Share	155.9 pence
Annual Redemption Yield	7.3 per cent.
Cover Ratio for the ZDP Shares at Admission*	2.9 times
Minimum Hurdle Rate to return the Final Capital Entitlement per ZDP Share (per annum for each of the next 6 years and four months)	-15.5 per cent.
Minimum Hurdle Rate to return the Issue Price (per annum for each of the next 6 years and four months)	-18.9 per cent.
ZDP Share SEDOL code	B99R1Q79
ZDP Share ISIN	GB00B99R1Q79

The above Placing Statistics have been shown on the basis that the Placing is fully subscribed and 8,500,000 ZDP Shares are issued.

* Calculated by dividing the Assets (book value as at 30 June 2012) by the sum of the Financial Indebtedness (as at 30 June 2012) and the Final Capital Entitlement assuming that approximately £8.08 million is raised net of expenses and invested in inventories. If fewer ZDP Shares are issued, the amount raised will be smaller and the cover ratio will increase.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the times and dates is subject to change. References to a time of day are to London time. Any changes to the timetable will be notified by publication of a notice through a RIS.

Admission and dealings in the ZDP Shares to commence on the London Stock Exchange	8.00 a.m. on 20 December 2012
CREST accounts credited	20 December 2012
Certificates despatched for the ZDP Shares	By 7 January 2013

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Board of Directors of ZDPCo	Stephen Desmond Wicks – <i>Chairman</i> Nishith Motilal Meghji Mulji Malde FCA – <i>Finance Director</i> Paul Richard Brett – <i>Director</i>
Board of Directors of Inland	Terry René Roydon – <i>Chairman</i> Stephen Desmond Wicks – <i>Chief Executive</i> Nishith Motilal Meghji Mulji Malde FCA – <i>Finance Director</i> Simon Charles Bennett – <i>Non executive</i> Paul Richard Brett – <i>Land Director</i>
Secretary of ZDPCo	Nishith Motilal Meghji Mulji Malde FCA
Secretary of Inland	Nishith Motilal Meghji Mulji Malde FCA
Registered Office and telephone number of ZDPCo and Inland	2 Anglo Office Park 67 White Lion Road Amersham Buckinghamshire HP7 9FB Tel: 01494 762450
Financial Adviser, global co-ordinator and stockbroker to the Placing	Libertas Capital Corporate Finance Limited 17c Curzon Street, London W1J 5HU
Legal advisers to Inland	Dorsey & Whitney (Europe) LLP 21 Wilson Street London EC2M 2TD
Legal Advisers to ZDPCo	Stephenson Harwood LLP 1 Finsbury Circus London EC2M 7SH
Auditors to ZDPCo and Inland	Grant Thornton UK LLP Chartered Accountants and Statutory Auditor 1020 Eskdale Road IQ Winnersh Wokingham Berkshire RG41 5TS
Registrars to Inland	Capita Registrars Limited The Registry, 34 Beckenham Road Beckenham Kent BR3 4TU
Registrars to ZDPCo and Receiving Agent	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen B63 3DA

PART 1

INFORMATION ON INLAND AND THE INLAND GROUP

The following information should be read in conjunction with the more detailed information appearing elsewhere in this document, including the financial and other information in Part 5. The financial information included in this Part 1 has been extracted without material adjustment from the Inland Group's accounting records.

1. Introduction

The Inland Group has a residential and mixed-use property development business which specialises predominantly in buying brownfield sites and enhancing their value, primarily for residential and mixed-use development. The Group has an experienced management team, led by Stephen Wicks and Nishith Malde, who have had a working relationship for 22 years. The Group seeks to acquire properties with development potential and apply its expertise in planning to win consents and approvals, arranging remediation and infrastructure work and either selling consented land to house building companies or working with its associated company, Howarth Homes (or another main contractor) to build and sell homes.

In addition to the developments wholly owned by the Group, the Inland Group manages the planning process for third parties and is involved in brownfield projects through joint ventures.

Since its incorporation on 16 June 2005, up until the Latest Practicable Date the Group has sold 926 building plots on 26 sites and 68 completed units on two sites. The Group currently owns or controls over 1,300 building plots with planning permission and over 450 potential building plots.

Inland currently has a 33 per cent. interest in Howarth Homes PLC, a private house building company. Further details of this investment are described in section 6 of this Part 1.

2. History

Inland is a property development group managed by Stephen Wicks and Nishith Malde. The Group acquired its first property interest in November 2005 and as at 4 October 2012, being the date of the announcement of the preliminary results for the year ended 30 June 2012 it had a portfolio of twelve development sites, with further projects in the pipeline.

The Inland team has a successful track record working together at Country & Metropolitan plc, a residential and commercial property developer specialising in brownfield sites, which was founded by Stephen Wicks in 1990. C&M was listed on the London Stock Exchange in December 1999 with an initial market capitalisation of £6.9 million (68 pence per share). It was acquired by Gladedale Holdings PLC ("Gladedale") in April 2005 for approximately £72 million (300 pence per share).

The members of the former C&M team who have joined Inland include Stephen Wicks (chief executive), Nishith Malde (finance director) and Paul Brett (land director).

During 2006, Inland completed a private placing to raise funds for the development of its operations. It raised £11.24 million from institutional and other investors through the issue of 32,122,050 Ordinary Shares at a price of 35 pence each. On 3 April 2007, Inland's Ordinary Shares were admitted to AIM in conjunction with a placing of 100 million Ordinary Shares at 50 pence each to raise approximately £47.5 million net of expenses.

In September 2007, Inland acquired Poole Investments plc (whose principal asset is a substantial development site in Poole) by way of a £11.1 million cash offer.

In December 2008, Inland entered into an option and development agreement with Drayton Garden Village Limited which acquired the former National Air Traffic Control centre in West Drayton, a 31 acre site. Following many months of public consultation and close liaison with officers and councillors at the Local

Authority, Inland secured planning permission for 773 new homes, a primary healthcare facility, nursing home and a variety of commercial premises. The Inland Directors believe that Inland has the potential to receive up to 90 per cent. of the profit made from the sale of this site.

In July 2009, Inland raised an additional £1,266,500 by way of a placing of new Ordinary Shares for cash at 10 pence each for working capital and to assist in funding professional fees in connection with Inland's joint venture of the former RAF West Drayton site.

A planning application on West Drayton was submitted on 19 November 2009 for 773 homes and 55,000 sq ft of employment and community uses.

In 2010, Royal Bank of Scotland sought charges for the continuity of Inland's facilities which the Inland Directors deemed to be very excessive, leading to the sale by Inland of listed investments and land to repay the facility over the 6 month period to December 2010.

In May 2010, Inland raised an additional £1,514,000 by way of a placing of new Ordinary Shares for cash at 10 pence each to accelerate the demolition and remediation process at Drayton Garden Village in West Drayton.

In July 2011 Inland exchanged contracts for the unconditional purchase of a 6.5 acre brownfield site which formed the northern part of St John's Hospital, Wood Street, Chelmsford, Essex. In January 2012, Inland exchanged contracts for the unconditional purchase of the southern part of this site, being a further 6.5 acres.

A reduction of capital was approved by the High Court in December 2011, paving the way for the payment of dividends. The Inland Directors have declared a maiden dividend of 0.067 pence per Ordinary Share payable to ordinary shareholders on 17 December 2012.

3. Business

The Group specialises predominantly in acquiring brownfield land with significant development potential on favourable terms and then creating substantial added value by obtaining or enhancing planning and other permissions and, in many cases, in particular at all the larger sites, taking action on the ground such as addressing drainage and contamination / remediation issues, installing infrastructure and services, improving access and landscaping before selling the consented land on to housebuilders. It also builds homes on number of plots for private sale.

So far as possible, all planning and technical issues are resolved prior to selling sites so that they are acquired by builders on a ready to build basis. The Directors believe that, through its established management team and employees, the Inland Group has an extensive range of expertise and skills at its disposal including:

- expertise in negotiating and identifying site acquisitions. The management team has many years of experience in negotiating with vendors and their advisers and, in addition to its own staff, the Company has an extensive range of contacts who are able to bring opportunities to its attention;
- the ability to structure contracts so as to maximise the financial return over time while mitigating inherent risks;
- the knowledge and experience required to make informed assessments of the development potential of individual sites;
- an in-depth understanding of planning regulations and practices;
- project management expertise to identify issues (such as planning, infrastructure and environmental technicalities) formulate solutions and implement them, often using consultants with a range of specialisms including planning, ecology, archaeology, financial viability, highways and drainage as well as political lobbyists, architects and topographic surveyors; and
- negotiating agreements under s106 of the Town & Country Planning Act 1990 whereby planners grant valuable consents in return for the developer contributing to their local needs, such as for affordable housing, community projects, education and highway work.

Once Inland has identified a site, it will devise an implementation plan for that site, including an assessment of the most appropriate planning consents for the location and the potential return on the ultimate disposal of the site to one or more housebuilding companies.

Prior to acquisition, Inland will carry out due diligence on the site including surveys, legal and environmental due diligence.

Inland structures the acquisition of sites so as to lay-off as much risk as possible whilst maximising the potential return. Methods of acquiring sites include unconditional purchases with immediate or deferred completion terms, conditional purchases, options and joint development contracts with vendors and co-investors.

The planning and environmental risks applicable to the Group's business are described in paragraphs 2.1.1 and 2.1.3 of the Risk Factors section of this document above.

Avoiding significant unforeseen costs, losses and delays arising from planning and environmental matters is important to the Inland Group's overall success. Its extensive pre-acquisition due diligence work has enabled the Group to negotiate purchase prices which reflect the cost of addressing such problems. The Group has, however, suffered from delays causing a lower than expected return on the capital employed in the business in some cases. Examples include delays at the Farnborough site while the impact of the proposed development on the nearby habitat of a rare species was assessed and delays in the construction of a bridge providing improved access to its site at Poole.

Having acquired a site, the Group makes appropriate planning applications and enters into negotiations with the relevant planning authorities. It also seeks to identify purchasers for the site and, where possible, enter into preliminary discussions regarding its ultimate realisation, which may be achieved by competitive tender.

On many sites including all the larger ones, Inland installs the infrastructure such as roads, drainage and utility services and then sells parcels of land to housebuilders. It also develops some of its sites using main contractors including its associate company, Howarth Homes, selling completed homes for private sale and thereby benefiting from the development contribution.

Trends affecting Inland Group's business

(i) Land prices

Some commentary on trends in land prices is set out in paragraph 9 below. Whilst the central London market continues to outperform the rest of the UK, the Inland Directors note that the well-capitalised national house builders have been buying sites during 2011 and 2012 to secure their on-going pipeline. The strongest demand is for consented development land in the South and South East which continues to outperform the rest of the country.

A shortage of supply in well located and consented land is creating increased competition and as a result Inland has witnessed a rising market for such sites which are most competitively fought when marketing 50-200 unit range. In some instances, Inland has found that sites with the right planning consents have achieved sale prices in excess of expectations.

Government initiatives have been launched to stimulate house building activity. Furthermore, flexibility in the planning system by local Authorities by way of a more pragmatic attitude towards Section 106 requirements (described below) are assisting the sector and is a clear signal of government priorities for growth-oriented development in the UK.

This is most notable in new legislation to be introduced in early 2013 whereby developers can appeal to the appropriate authority to assess the financial viability of S106 due to current economic conditions and, where necessary, set aside an existing Section 106 agreement (being an agreement between a developer and a local authority whereby developers (at the behest of the local authority) make contributions towards local amenities, transport links and affordable housing in order to obtain planning consents) for a three-year period, in favour of a new one whereby fewer affordable homes are required to be built.

(ii) remediation

It is extremely difficult to identify general trends in remediation costs, as they are entirely site specific. As an example, the remediation strategy for a hydrocarbon plume will be different from soil impacted by volatile organic compounds.

On virtually all its developments the Inland Group would seek to remediate the contamination on-site, as it is normally the most cost efficient, environmentally friendly and sustainable approach to site waste management and has the benefit of reducing the amount of materials going to landfill.

According to Green Wise Business, each year the UK generates approximately 280 million tonnes of waste. Currently, the UK dumps 55 per cent of waste into landfill sites, compared to a 40 per cent average across EU member states and Germany's one per cent. Source Green Wise Business <http://www.greenwisebusiness.co.uk/news/landfill-tax-set-to-rise-to-64-a-tonne-3167.aspx>. Under the EU Landfill Directive, member states are required to cut the amount of biodegradable waste they send to landfill to 50 per cent on 1995 levels by 2013 and 35 per cent by 2020. Source Green Wise Business <http://www.greenwisebusiness.co.uk/news/landfill-tax-set-to-rise-to-64-a-tonne-3167.aspx>

The UK Government is trying to encourage better waste management and recycling measures among households and businesses. The increase in landfill tax, which is one tool the UK Government is using to catch up with the rest of Europe, is the annual rise in the standard rate of landfill tax which has increased by £8 per tonne to £64 per tonne over the year to April 2012 and is to increase by a further £8 per tonne to £72 per tonne from 1 April 2013 (2010: £48 per tonne, 2011: £56 per tonne).

The annual increase in landfill tax has meant that Inland's policy of dealing with contamination on-site, via good waste management, recycling and remediation is now more important than ever.

(iii) Infrastructure & Construction

Although construction activity in the residential sector is increasing, overall construction in this sector is low and Inland has experienced a willingness by contractors to negotiate a lower profit margin to secure new projects.

(iv) Selling prices

Well located developments within commuter belts which provide the right product are selling comfortably. Inland completed a phase of 19 units in Farnborough, Hampshire earlier in 2012 which sold at a rate of nearly 3 units per month. The phase, comprising of 15 x two bedroom houses and 4 x two bedroom apartments achieved at or in excess of the Inland Directors' sales expectations and is testament to getting the product and specification right for the area.

(v) Inventories

Over the last three years the Group's inventories have fluctuated between £24m to £44m and these fluctuations are dictated by the size of development sites taken on and the pattern of realisations. Since 2009/10 the Group's strategy has been to pursue larger opportunities and increase the scale of its housebuilding. The Inland Directors believe that this could result in inventories increasing as a result of increasing the number of new opportunities in the pipeline.

4. Corporate strategy

The Group's principal strategic objective is to acquire sites with development potential and apply its expertise and knowledge of the planning system to achieve the desired consents in parallel with work on the ground, which may include any or all of environmental remediation, demolition, installation of services, infrastructure, securing access and landscaping, to eventually build up a land bank which would be favourable to a major trade buyer. This process takes a few years, during which time it will continue to sell sites where it can obtain attractive offers and to develop homes on certain sites for private sale.

Inland will continue to invest in sites which vary in size and value, concentrating its activities on areas of high demand (for example, where there are good transport links or attractive residential environments) and seek planning consents that are appropriate for the location and most desirable to housebuilders.

To increase the scope and potential of Inland's land bank, the Group will also focus on "strategic land", as well as sites allocated for development.

Strategic land is typically land that would form a logical extension or expansion of an existing built-up area or settlement, or an area which a local or other planning authority has indicated could be suitable for development in the future.

In the Directors' experience, landowners may often grant developers options to purchase land at a discount to the market value that would be achieved once planning permission is granted. The option price paid on grant would normally then be deducted from the ultimate purchase price. Options so granted are often of a long term nature and may be granted at a significant discount to market value.

The current strategy is to increase the Inland Group's housebuilding activity by developing some of its land bank. This will enable it to capture the development margin of those projects. However, the major part of the Inland Group's business will continue to focus on increasing the number of plots within its land bank, which will include disposals of some plots. Housebuilding also enables Inland to improve its cash flow.

5. Current Portfolio

Information about the Group's portfolio as at the date of its preliminary results announcement (4 October 2012) for the year ended 30 June 2012 is set out in the Chairman's Statement and the Chief Executive's Review in the 2012 annual report reproduced in Part 5 of this Prospectus. The development portfolio comprised 6 major sites and 6 smaller ones with 1,942 plots of which 1,215 are consented and 220,000 sq ft of commercial space. The book value of the development portfolio in Inland's consolidated accounts as at 30 June 2012 comprised £52.6 million in respect of sites owned by Group companies and £2.6 million in respect of the Inland Group's interest in joint ventures.

Information about the Group's current portfolio is set out in the table below, which comprises of 10 sites.

	Location		Description
1.	Queensgate, Farnborough, Hampshire		24.5 acre former RAF base, mixed residential and commercial, 184 plots sold or built to date, 215 remaining.
2.	Ashford Hospital, Middlesex		Site with detailed planning consent for 152 apartments where a conditional development agreement has been entered into with a major UK housebuilder
3.	Poole, Dorset		268 residential plots and 108,000 sq ft of commercial space with planning consent
4.	St John's Hospital, Chelmsford, Essex		Former hospital site and adjacent land (13 acres). A transaction has been completed with a national housebuilder for half this site for 127 units
5.	Grays, Essex		6 acre site with planning consent for 131 plots
6.	Beaconsfield, Buckinghamshire		20 acres of land identified as fundamental to the delivery of an appropriate means of access to the adjoining 90 acre site, Wilton Park in Beaconsfield, Buckinghamshire
7.	Redhill, Surrey		Site under construction by Inland for 14 apartments and 14 houses
8.	Amersham, Bucks		10 year option over a strategic site comprising 4.8 acres

9.	West Drayton, Middlesex		31 acre site, 264 plots and nursing home land sold for £23.6m, 509 plots remaining. Inland is entitled to up to 90 per cent. of the profits from the disposal of this site which is managed on behalf of Drayton Garden Village Limited
10.	Pheasant Public House, Amersham		A former pub identified for 11 residential units, to be taken through the planning process

The Group's sites are in the home counties/outer London, except for a site in Poole (Dorset).

6. Howarth Homes

Inland has a strategic investment in Howarth Homes, a profitable, Middlesex based, housebuilding company.

In December 2005, Inland invested £200,000 in its associate, Howarth Homes plc and in return received ordinary shares amounting to 10 per cent. of the issued share capital of Howarth. In January 2008, Inland made a further investment of £359,000 in Howarth to increase its interest to 15 per cent. of the issued share capital of Howarth. Inland also subscribed for £800,000 convertible loan stock which was converted on 31 July 2009 into ordinary shares, thus increasing Inland's interest to 33 per cent. of the issued share capital of Howarth. A provision of £1,426,000 was made against the equity investment in Howarth and the convertible loan stock during the year ended 30 June 2009. During the year ended 30 June 2012 £226,000 (2011: £96,000) was recognised in the Group Income Statement, being the Group's 33 per cent. share of profits after tax reported by Howarth. Howarth have made profits over the last two financial years and expect to continue to do so. Accordingly, the Directors have reviewed the valuation of the investment on the fair value less costs to sell basis and have concluded that a £500,000 reversal of the impairment is required, based on an indicative offer received by Howarth during the year.

During the year ended 30 June 2010, the Inland Group entered into a joint venture with Howarth for the development of 51 units at a site in Croxley Green, Hertfordshire, further information about which is set out in paragraph 10 below.

The Directors believe that Howarth Homes has good sales and construction skills and that these, combined with their own expertise, and a change in strategic direction to focus on the development of lower priced homes, has already resulted in an increase in the value of the Group's investment. In addition to this investment return, Inland benefits from the sale of land to housing associations where Howarth is appointed to undertake the construction of the homes.

No sites will be sold to Howarth by the Inland Group, irrespective of size, without the Board's prior approval. Unless the Board recognises a specific benefit to Inland from selling sites to Howarth, the sites will first be offered for sale in an open marketing process.

Howarth Homes currently has approximately 200 units under construction with an average price of £240,000. In the year ended 30 June 2012 Inland's share of the associated income was £226,000.

Stephen Wicks and Nishith Malde were appointed as non executive directors of Howarth Homes on 14 December 2005 for which Inland charges a fee of £45,120 plus VAT per annum for their services. Their ongoing time commitment to Howarth is not significant.

7. Environmental issues

The Inland Group undertakes extensive pre-acquisition due diligence on environmental and technical issues. The existence of contamination and other environmental factors can deter purchasers from bidding for sites, thereby creating an opportunity for Inland to acquire sites at better prices and applying its own expertise, often alongside specialist consultants, to effect remediation.

By way of example, the Drayton Garden Village development is a 32 acre site which was formerly part industrial, where diesel powered generators had caused a considerable amount of contamination. The soil was excavated by Inland and treated on-site via a process of bio-remediation to render it both safe and

re-useable on site instead of sending the material to landfill sites. On all the Inland Group's schemes it endeavours, where possible, to remediate contamination on-site as this is often the most cost efficient, environmentally friendly and sustainable solution.

8. The planning regime

The planning regime combines central and local government areas of responsibility. The political agendas at national and local level are frequently in conflict.

The planning process can be lengthy and delays often occur as appeals are made and contested. Delays and uncertainties arising from the adoption of the Community Infrastructure Levy by local authorities may also have a detrimental effect on the supply and pricing of land being marketed by landowners and may potentially impede sales.

The planning environment continues to evolve and whilst the Inland Directors are encouraged to see housing so high on the political agenda, they are concerned that the 'avalanche' of new initiatives coming forward could potentially counteract the need to simplify the planning system.

The Inland Directors believe that the Group's key strengths are its ability to guide schemes through the planning process whilst, managing many stakeholders and their interests coupled with its ability to overcome environmental constraints. Prior to acquiring housing sites identified in councils' Local Plans, the Group undertakes extensive pre-acquisition due diligence on planning and environmental issues.

In spite of efforts to simplify the planning process, it is generally recognised as being cumbersome, restrictive and subject to delays. Accordingly, the Inland Group's ability to purchase brownfield sites, obtain relevant planning permissions and sell plots on as 'ready to build' represents an attractive proposition to housebuilders. It reduces their land holding time and enables them to maintain production.

9. Market

There is a shortage of housing in the UK:

- Annual housing starts in England to June 2012 totalled 98,670 – down by 10 per cent. compared with the previous 12 months
- Annual housing completions in England to June 2012 totalled 118,330 – up by 8.0 per cent. compared with the previous 12 months
- Demand for new homes is approximately 252,000 units p.a. (*Source: Inside Housing*)

Recent trends in prices of development land and completed homes vary in different regions of the UK. The Mayor's London Plan shows an underlying shortage of housing in the Greater London area, where several of the Inland Group's outer London developments are located and acknowledges that, while the supply of housing has recovered from a low point in 2010, the number of new homes is below the 30,000 minimum annual target in the London Plan, taking account of vacant homes being returned to use. According to the London Plan more new homes are needed to house London's expanding population which could increase by 1.2 million people by 2031.

Competition for sites with planning permission is high and housebuilders are having to reduce margins and increase turnover to remain competitive. In the Inland Directors' experience, housebuilders try to limit their period of land bank retention to not more than three years and are reluctant to commit capital until planning permission has been granted.

10. Financing the portfolio and cash flows

Inland seeks to leverage its equity investment in order to increase the return on equity and mitigate planning and certain other risks by negotiating, where possible, contracts with vendors which require modest initial cash payments, with the balance deferred over a period of time. It also enters into contracts which are

conditional on planning consents being obtained. Another mechanism used by Inland which permits cash payments to be deferred is the purchase of options to acquire land. This also improves the risk profile because Inland is not obliged to exercise options if unforeseen planning or environmental difficulties arise.

Inland also manages sites on behalf of land owners in consideration of a fee and a share of the profit. Inland has entered into an agreement with a third party, Drayton Garden Village Limited, where that company purchased a brownfield site on deferred consideration terms and appointed Inland to manage the project through the planning system and provide other property services to that company including the ultimate disposal of the site.

Under the agreement Inland is entitled to earn up to 90 per cent. of the profits realised from the sale of the property over the life of the project. At 30 June 2012 the funding arrangements in place for the deferred consideration entitled Inland to 60.51 per cent. of the profits expected to be realised from the sale of the property over the life of the project. Inland will be entitled to receive 90 per cent. of the total profits from the sale of the property once all the outstanding deferred consideration due of £12.7 million has been settled by Drayton Garden Village Limited without Drayton Garden Village Limited having to fund this liability. The Directors believe that at 30 June 2012, Inland's share of the future profits from this project would amount to £13 million.

During the year ended 30 June 2010, the Group entered into a joint venture with Howarth Homes for the development of 51 units at a site in Croxley Green, Hertfordshire in a company called Harvey Road (Rickmansworth) Limited. The Group has invested £2,302,000 in this venture. Although Howarth owns 100 per cent. of the issued share capital of Harvey Road (Rickmansworth) Limited, Inland Directors constitute 50 per cent. of that company's board of directors and therefore control 50 per cent. of the entity. Inland is entitled to 50 per cent. of the profits made by the entity. The Group's 50 per cent. share of profit after tax to date amounts to £261,000, £162,000 of which has been recognised in the Group Income Statement for the year ended 30 June 2012 (2011: £99,000). The final phase of 12 units is now under construction and it is anticipated that the project will be completed in 2013.

While the Group cash flows benefit from site purchase payments being spread over several instalments, they also reflect the sale of parts of each site being sold in phases, giving the Inland Group more regular cash flow than would have been the case if large developments were to be sold as a single block.

The Group's financial resources currently comprise its accumulated equity and limited Group borrowing facilities. In addition the Group arranges project loans for specific developments. These are typically used to finance infrastructure, remediation and other works and these loans are secured against the relevant sites, and are repaid out of the sale proceeds of the relevant development. There is no established seasonality of borrowing requirements and the maturity profile of the borrowing facilities described below is linked to the receipt of the sale proceeds of the relevant sites.

The principal project loans for specific developments are:

- Redhill, Surrey – a bank facility of £2.5m has been arranged for the construction of 28 units. As at the Latest Practicable Date, the Group had drawn £998,948.57 of this facility. The facility is based on funding 60 per cent. of the development costs or, until 31 January 2013, 55 per cent. of the gross development value, or at any time after 1 February 2013, 50 per cent. of the gross development value and is secured by way of a first legal charge over the site.
- Queensgate, Farnborough – a bank facility of £1.4m has been arranged with a bank which has been fully drawn down. The facility is based on 50 per cent. of the value of the land and is secured by way of a first legal charge. A revolving facility of £1.9m has also been arranged with the Homes and Communities Agency for the construction of 80 homes and the amount drawn down as at the Latest Practicable Date is £237,124. This facility has been secured by way of a second legal charge over the property.
- Queensgate, Farnborough – a land facility of £830,000 has been arranged against a parcel of land on this site based on 50 per cent. of the value of the parcel of land. The amount drawn down under this facility as at the Latest Practicable Date is £830,000.

These facilities will be repaid from the sale of the homes constructed on the sites or the disposal of the site.

The Group does not have any other borrowing facilities. Details of the Group's indebtedness and liquidity position as at 30 November 2012 are set out in paragraph 15 below.

The net proceeds of the Placing will be used to purchase further sites, enlarging and diversifying the Group's development portfolio and pending such use may be used to pay deferred consideration instalments in respect of properties being sold.

11. Summary financial information

The table below sets out the key financial information that has been extracted without material adjustment from the Group's audited annual accounts in respect of the three financial years ended 30 June 2010, 2011 and 2012, each of which are set out in full in Part 5 of this prospectus. Inland believes that this information summarises the financial condition and results of operations of the Group over the relevant period.

<i>Selected financial information</i>	<i>12 months to 30 June</i>		
<i>£'000</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
Revenue	16,542	21,372	6,110
Gross profit	3,667	5,673	3,886
Profit before tax	1,051	3,543	1,597
Non current assets	16,454	17,429	17,698
Current assets	45,387	38,539	47,984
Total assets	61,841	55,968	65,682
Current liabilities excluding debt	2,173	4,824	2,522
Loans and other financial liabilities	15,207	2,663	13,754
Total liabilities	17,380	7,487	16,726
Net assets	44,461	48,481	49,406
Inland Ordinary Shares in issue at year end (excl. shares held in treasury) ('000)	181,674	181,674	181,674
Earnings per ordinary share (pence)			
- Basic	0.68p	2.10p	0.41p
- Diluted	0.68p	2.07p	0.41p
NAV per ordinary share (pence)	24.3p	26.5p	27.0p

Demand for consented land improved in the year to 30 June 2010, leading to an improvement in turnover and a return to profitability. This demand was sustained in the year to 30 June 2011 with good performance demonstrating the positive market trend in the South and South-East of England irrespective of the general weakness in the house building industry elsewhere in the UK. The reduction in turnover and profits during the year ended 30 June 2012 did not arise from a deterioration in the Group's development projects but from a lower number of completed homes being sold and no land sales from the land portfolio owned by the Group. A decision was also made by Inland to defer a particular land sale in order to maximise value.

Inland's properties are valued under IFRS at the lower of cost and net realisable value, apart from one site which is classified as an investment property under IFRS and is recorded and valued on a deemed cost basis. The cost value includes monies spent on improving the site or its planning status.

Initial prices paid for a site usually contain an element of "hope value" based on its development potential, which may or may not be realised; however when values of properties increase (eg as a result of a change in planning status, remediation work, infrastructure installation etc) the IFRS value does not increase beyond the amounts actually spent on the site; therefore overall, the Directors believe that the IFRS book values of the development projects understate the realisable value of such properties.

Inland reviews the carrying values of its inventories and makes impairment provisions to the extent that such carrying values exceed the net realisable value. Inland's assessment of the latter depends on whether it intends to sell the property prior to homes being built or not. Where Inland does not intend to build homes,

the net realisable value is calculated from estimates of the completed value of houses on the site obtained by consulting local estate agents and internet searches and then deducting estimated construction, sales and marketing costs, making allowance for the housebuilders' profit margin. Where Inland intends to build the homes itself, it follows the same process to estimate the value of the completed homes and deducts its estimated construction, sales and marketing costs to assess if the development would make a loss, in which case an impairment provision would be required. In all cases Inland takes its own expected further costs (eg for infrastructure work) into account. The estimates and calculations used to determine the IFRS book values and any impairment provisions are reviewed at each half year and year end by Inland's auditors.

12. Dividend Policy

Subject to the provisions of the Act, Inland may from time to time declare dividends.

The Inland Directors declared a maiden dividend of 0.067 pence per ordinary share to ordinary shareholders which is payable on 17 December 2012. The Inland Directors regard the modest level of the dividend as an indicator of their confidence in the Group's prospects, which reflects the underlying worth of its assets, while retaining funds for re-investment in new development opportunities.

Pursuant to the Loan Note and its supporting security documentation, Inland has undertaken to ZDPCo that, without the previous sanction of a special resolution passed at a separate meeting of the holders of the ZDP Shares, until payment of the Capital Entitlement, Inland will only make any distribution of capital (or buy its own shares into treasury) or income, provided that following any such distribution the ZDP Shares would have a Cover Ratio of not less than 1.8 as calculated in paragraph 4 of Part 2.

Inland Homes PLC (non consolidated) financial statements as at 30 June 2012 had distributable reserves of approximately £6.27 million. If the Cover Ratio restriction had been in place at that time, the Cover Ratio as at that date would have been 2.9 times calculated on the basis shown in paragraph 4 of Part 2 (Basis (i)) of this document. The Cover Ratio as at that date would not have restricted the payment of dividends unless such dividend payments had exceeded approximately £23.1 million, which is considerably more than Inland was legally permitted to distribute as at that date. The Cover Ratio covenant is designed to prevent dividends being paid following a substantial decline in the value of its assets. In such circumstances, its legally distributable reserves would also be reduced and the Inland Directors would be unlikely to be contemplating paying dividends at such time.

Further details of the Loan Note are set out in paragraph 19.1 of Part 7 of this document.

13. Reasons for the Placing and Use of Proceeds

One of the principal constraints for Inland in developing its business is the lack of available bank financing. As a consequence, the Group has been looking to seek finance from alternative lending sources, particularly longer term finance, which is better suited to the period of time that can elapse between the buying of unconsented land and the obtaining of the requisite planning consent. The Inland Board considers that now is an opportune time to seek additional resources to capitalise on current and future development opportunities and have concluded that the Placing is therefore in the best interests of the shareholders of Inland.

Having repaid its facility with Royal Bank of Scotland in December 2010, due to the unacceptable charges and conditions proposed for a continuing facility, the Inland Directors believe that the issue of ZDP Shares provides longer term funding on more flexible terms than is available by way of bank facilities.

In the context of the limited availability of bank debt and the relatively high returns sought by alternative lending sources referred to above, the ZDP Share issue offers Inland competitively priced finance on flexible terms which are well suited to its business model.

The reason for the Placing is to finance the expansion of the Group's portfolio of sites to which the whole of the net proceeds of the Placing will eventually be applied in the ordinary course of its business. However, as at the date of this document, the Group is not committed to any of the potential purchases currently under consideration. Depending on progress with potential purchases and the possible sale of sites subject to charges supporting vendor loans, part of the proceeds may be applied in the short term to settle vendor consideration as described in more detail below.

The total expected cost of all the potential site purchases subject to current negotiations exceeds the net Placing proceeds. If all such negotiations lead to a successful purchase, the shortfall is expected to be financed by a combination of other cash resources (which have increased over recent months following sales of homes) and deferred consideration terms agreed with the vendors.

Inland or its subsidiaries will apply the proceeds of the Placing to any or all of:-

(i) the purchase of additional site at Beaconsfield for development;

Inland is in the process of negotiating the purchase of a major site at Beaconsfield adjacent to a site it already owns. It is anticipated that approximately £2.5 million of the Placing proceeds will be applied towards the purchase price if the purchase negotiations are successfully concluded and pre acquisition due diligence does not reveal any problems which cannot be addressed by negotiating a lower purchase price. If terms are agreed with the vendor and the Placing proceeds are not raised for any reason, Inland would seek to arrange alternative financing for this site or effect the purchase alongside other investors by way of a joint venture, as it did in the case of Drayton Garden Village.

(ii) the purchase of other sites

Inland continually assesses new opportunities and its Directors are confident of being able to acquire suitable new sites even if those currently subject to negotiations are not acquired. Inland is unable to predict which, if any, additional site purchases will be completed. The Inland Directors believe that raising additional cash by way of the Placing at this time will strengthen Inland's negotiating position relative to competing potential purchasers which have less evident financial resources or who are reliant on vendors agreeing to an extended period for receipt of the sale proceeds, but have less visibility of the financial resources needed to pay deferred consideration instalments.

(iii) the payment of deferred consideration instalments

Although no decision has been taken pending the outcome of the Placing, the progress of negotiations for the purchase of new sites and the assessment of certain potential sales, Inland may use £2-4 million of the Placing proceeds to settle deferred consideration outstanding in relation to its sites at Drayton Garden Village and/or St John's Hospital, Chelmsford prior to the disposal of any part of such sites. Settling such liabilities earlier than it would otherwise have done would save interest payments and facilitate the intended sale of the site, which would become unencumbered when the vendor's charges over it are released on payment of all monies due to the vendor. When such sites have been sold, Inland expects to apply part of the sale proceeds to finance the purchase of additional sites, such that, in effect, the application of part of the Placing proceeds to settle deferred consideration is an interim use of funds pending investment in new sites.

14. Effect of the Placing on Inland

The effect of the Placing on the financial statements of Inland is to show the obligation to ZDP Shareholders (initially £8.50 million and increasing over time) as a long term debt. In the short term, the net proceeds of the Placing, estimated at up to £8.08 million, will be held by the Group as cash balances, pending their use to invest in inventories (new sites) or settle liabilities to vendors. If the Placing had been effected on 30 June 2012 and the £8.08 million net proceeds of the placing had all been invested in inventories, the overall assets and borrowings (net of cash) in the Inland Group financial statements would have both been up

to £8.08 million greater. The costs of the Placing are treated as a prepayment in the Inland Group financial statements and amortised over the period to the ZDP Final Payment Date. Accordingly the Placing would have no initial impact on Inland's consolidated net assets, which would subsequently be reduced by the £0.42 million estimated costs of the Placing as they are amortised over the period to the ZDP Final Payment Date. The effect on the income statement is to record the cost of the ZDP Shares (which would have been £0.7 million comprising the 7.3 per cent. accruing to ZDP Shareholders for the year to 30 June 2012 and the amortising of placing costs, if the Placing had taken place at the beginning of that financial year) and the return on investment generated from the net proceeds of the Placing. The latter will initially comprise interest receivable on these proceeds pending the purchase of new sites or interest saved by paying deferred consideration to vendors. Based on the interest rates currently receivable on short term deposits or payable on the Group's liabilities, the financing cost charged to the Inland Group will initially be higher than the equivalent cost of bank debt. The Inland Directors recognise the benefits of longer term finance at a fixed rate as being advantageous to the Group. While the Loan Note contains certain provisions to protect the interests of ZDP Shareholders, the Placing provides the Inland Group with more flexible funding for a longer term than is currently readily available from banks. The Group expects to apply some of the Placing proceeds in due course to acquire new brownfield sites. The effect of this on Inland's consolidated financial statements would be to show the assets acquired as an increase in inventories and (as stated above) the liability to ZDP Shareholders will be shown as a debt.

15. Capitalisation and indebtedness, gearing policy and restrictions and liquid resources

15.1 Capitalisation and indebtedness

The following table shows the indebtedness and capitalisation of the Group as at 30 June 2012¹ and 30 November 2012⁵:

	30 June 2012 ¹ £000's	30 Nov 2012 ⁵ £000's
Total current debt		
Guaranteed (Note 3)	nil	nil
Secured (Notes 2 & 4)	13,986	10,291
Unguaranteed / Unsecured	nil	nil
	13,986	10,291
Total non-current debt (excluding current portion of the long term debt)		
Guaranteed (Note 3)	nil	nil
Secured (Note 4)	nil	830
Unguaranteed / Unsecured	nil	nil
	nil	830
Shareholders' equity (note 6)		
Share capital	18,301	18,301
Legal reserve	30,794	30,794
Treasury shares	(366)	(366)
Other reserve	6,059	6,059
Total	54,788	54,788

- 1 The information as at 30 June 2012 has been extracted without adjustment from Inland's audited financial statements with the exception of the deferred land payments referred to in Note 2 below.
- 2 This statement of indebtedness and capitalisation has been prepared under IFRS using policies which are consistent with those used in preparing the Group's financial statements for the year ended 30 June 2012 with the exception of the inclusion in 'Current secured debt' of £7.0 million in 30 June 2012 and £5.5 million in 30 November 2012 relating to deferred land payments. These amounts are stated at their contractual value and not in accordance with IFRS due to the IFRS requirement to discount. The IFRS discounted figure as at 30 June 2012 is £6.8 million and as at 30 November 2012 is £5.3 million. The contractual value of the 30 June 2012 deferred land payment is set out in Note 28 in the Group Financial Statements within the analysis of the Group's financial contractual liabilities.

- 3 No third party has guaranteed any of the Inland Group's debt.
- 4 The secured debt comprises house building loans of £4.6 million of which £1.4 million was drawn down as at 30 November 2012 secured on the relevant properties, further loans of £4.2 million secured on land and the deferred land payments referred to in Note 2 above.
- 5 The information as at 30 November 2012 is unaudited.
- 6 There has been no change in the Legal reserve (share premium) and Other reserve, which excludes Profit & Loss reserve, between 30 June 2012 and 30 November 2012.

The issued and fully paid share capital of ZDPCo is £50,000 represented by 50,000 ordinary shares of £1 each and as at 30 November 2012 ZDPCo had £50,000 in cash and did not have any guaranteed, unguaranteed or unsecured indebtedness, including indirect and contingent indebtedness. This cash is included in the consolidated figures shown for the Inland Group above.

15.2 Liquid Resources and contingent liabilities

As at 30 June 2012, the Inland Group had Liquid Resources (cash and cash equivalents) of £0.6 million and had available facilities of £9.5 million pursuant to the terms of its Loan Facilities of which £7.0 million had been drawn down. Net Liquid Resources were therefore £3.1 million.

As at 30 November 2012, the Inland Group had Liquid Resources (cash and cash equivalents) of £3.5 million and had available facilities of £8.8 million pursuant to the terms of its Loan Facilities of which £5.6 million had been drawn down. Net Liquid Resources were therefore £6.7 million.

	30 June 2012	30 Nov 2012
	£000's	£000's
A. Cash	575	3,475
B. Cash equivalents	nil	nil
C. Trading securities	nil	nil
D. Liquidity (A)+(B)+(C)	575	3,475
E. Current Financial Receivable (note 1)	1,000	1,000
F. Current bank debt	1,111	2,578
G. Current portion of non current debt	nil	nil
H. Other current financial debt (note 2)	12,875	7,713
I. Current financial debt (F)+(G)+(H)	13,986	10,291
J. Net Current Financial Indebtedness (I)-(E)-(D)	12,411	5,816
K. Non current bank loans	nil	nil
L. Bonds issued	nil	nil
M. Other non current loans	nil	830
N. Non current Financial Indebtedness	nil	830
O. Net Financial Indebtedness	12,411	6,646

- 1 Included in 'Current Financial Receivable' is a loan due to Inland from Howarth Homes plc in the amount of £1 million. This figure excludes non-interest bearing trade debtors for sales of inventory.
- 2 Included in 'Other current financial debt' is £7.0 million in 30 June 2012 and £5.5 million in 30 November 2012 relating to deferred land payments. These amounts are stated at their contractual value and not in accordance with IFRS due to the IFRS requirement to discount. The IFRS discounted figure as at 30 June 2012 is £6.8 million and as at 30 November 2012 is £5.3 million. The contractual value of the 30 June 2012 deferred land payment is set out in Note 28 in the Group Financial Statements within the analysis of the Group's financial contractual liabilities.

The Inland Group had the following contingent liabilities as at 30 November 2012:

- a) upon the sale of a specific investment property, a payment of £300,000 is due to a third party;
- b) a subsidiary undertaking, Poole Investments plc, ceased to participate in its operating subsidiary's pension scheme when it disposed of former subsidiaries in May 2004. The Scheme's principal employer, Pilkington's Tiles Limited went into administration on 14 June 2010 and as a result Poole may be liable for a share of the cost of securing the liabilities of the Scheme pertaining to its two former employees should there be a deficit on the Scheme's fund. The Directors consider that, as at 30 November 2012, material uncertainty exists over the basis and calculation of any obligation that may fall to be payable by Poole. Advice has been sought to clarify the Group's position. Therefore, no provision has been made in its financial statements for the year ended 30 June 2012 as the basis of any provision cannot be reliably established; and
- c) Inland Homes PLC has guaranteed certain obligations of wholly owned subsidiaries and provided an indemnity to Howarth Homes plc on 11 July 2012, in respect of a guarantee to Close Brothers Limited for borrowings by Harvey Road (Rickmansworth) Ltd. As at 30 November 2012, the amount drawn from Close Brothers Limited amounted to £1.9 million and 50 per cent. of this amount is covered by the Inland Homes plc indemnity. Save for the above, the Inland Group had not guaranteed the debt of any party outside the Inland Group.

15.3 Gearing Policy and Restrictions

It is Inland's policy to conduct the business of the Group in such a way as to maintain headroom in order to reduce the likelihood of a breach of any banking covenants and to react to changes in residential property prices which threaten to erode such headroom. For example, if residential property prices fall, the Group can apply more of the proceeds of property sales to reduce debt, re-investing less in the portfolio, than it might have done if values were increasing.

Following the Placing, the Inland Group intends to continue to arrange project specific loans, for example to finance infrastructure work and housebuilding on its sites. The Group's policies relating to credit and other financial risks and objectives are set out in Inland's 2012 annual report - see page 118 of this document

Pursuant to the Loan Note, Inland undertakes to ZDPCo that, until the payment of the Final Capital Entitlement to ZDP Shareholders, if Inland incurs borrowings which result in the Cover Ratio of (i) Assets to (ii) the sum of the Final Capital Entitlement due to ZDP Shareholders and Financial Indebtedness being less than 1.80 times, no payments may be paid to ordinary shareholders of Inland, whether by way of dividend, capital distribution, purchase of own shares or otherwise until the Cover Ratio is increased to 1.8 times or more taking any such proposed payments to Inland ordinary shareholders into account.

Assets are defined for this purpose as being Inland's consolidated gross assets less (i) intangibles; (ii) cash; (iii) trade creditors payable before six months following the ZDP Final Payment Date; and (iv) deferred consideration payable for sites where such consideration is payable before six months following the ZDP Final Payment Date and where the vendor has recourse to assets of the Group other than the asset to which the relevant vendor consideration relates, but excluding Excess Deferred Consideration (being deferred consideration in excess of 60 per cent. of the initial purchase price of sites where the vendor has recourse to Inland Group assets other than the site sold).

The valuation of the gross assets for these purposes is the book value under IFRS as at the most recent quarterly, half yearly or annual accounts date using Inland's then current accounting policies and bases.

Financial Indebtedness is defined for the purpose of the Cover Ratio as net debt plus Excess Deferred Consideration but excluding all amounts payable after six months following the ZDP Final Payment Date.

In addition to the restriction on payments to Inland ordinary shareholders by reference to the Cover Ratio, the Contribution Agreement restricts the Inland Group from increasing its "borrowings" to acquire new sites if a Gearing Ratio of 40 per cent. is exceeded.

The Gearing Ratio is calculated as the ratio of (i) Financial Indebtedness and accrued ZDP Liability to (ii) Assets (as defined).

This restriction on increasing the Inland Group's borrowings does not apply to new borrowings incurred to complete the development of existing sites, borrowing for other working capital purposes or debt incurred for the purpose of returning capital to ZDP Shares or other financial liabilities as it may be necessary or desirable to complete development and other work before marketing assets for sale to reduce other liabilities. However, borrowings incurred for developing existing sites and working capital are treated as Financial Indebtedness so that increasing borrowings for such purposes could result in the Inland Group being prohibited from buying new sites until sufficient borrowings had been repaid to reduce the above Gearing Ratio to below 40 per cent. after taking any proposed site purchase into account.

Certain subsidiaries of the Inland Group will each grant first charges over Pledged Assets such as property interests and amounts receivable from purchasers following land and house sales in support of the liability to ZDP Shareholders. The value of the Pledged Assets must equal or exceed 120 per cent. of the liability to ZDP Shareholders, net of any Pledged Cash, at all times and is tested quarterly. If the book value of the Pledged Assets is less than 120 per cent. of the accrued amount due to ZDP Shareholders, net of Pledged Cash, as at the Covenant Testing Dates, which are 30 September, 31 December, 31 March and 30 June in any year, Inland is obliged to remedy the situation within three months thereof. For example if property values fall, necessitating a provision for the diminution in value and there is a shortfall of £100,000 at 30 September, the Group must transfer cash to the Secured Account or grant first charges over additional tangible assets in favour of ZDPCo to the value of £100,000 or more by the following 31 December.

PART 2

INFORMATION ON ZDPCo

1. ZDP Shares Investment Highlights

It is expected that investors in the ZDP Shares through the Placing will be institutional investors, investment funds, private client fund managers and private client brokers. The Inland Directors believe an investment in the ZDP Shares is potentially attractive to such investors because:

- the ZDP Shares offer a Redemption Yield of 7.3 per cent.;
- as preferred capital, the ZDP Shares have the benefit of preferred capital in ZDPCo and ZDPCo will have the benefit of Inland's commitment under the Loan Agreement and Contribution Agreement to ensure that ZDPCo has the resources needed to pay its creditors and ZDP Shareholders' Capital Entitlements. These obligations will be secured by first charges over (i) cash held by Inland in a designated bank account (the "Secured Account"), referred to as the Pledged Cash and (ii) other tangible assets of the Inland Group (the "Pledged Assets") as security for the obligations of Inland under the Loan Note and the Contribution Agreement. The capital value of the ZDP Shares as it accrues over time must be covered by a combination of the Pledged Cash and Pledged Assets. The Pledged Assets must have a value of 120 per cent of the accrued balance due to ZDP Shareholders net of the Pledged Cash. The value of the Pledged Assets will be tested quarterly by ZDPCo. ZDPCo will also have contractual recourse under the Contribution Agreement against Inland, in respect of other assets of the Inland Group;
- asset cover is derived from assets most of which are development properties with a book value which is based on cost less any impairment provisions which may be required. When values increase (eg as a result of a change in planning status, remediation work, infrastructure installation etc) the IFRS value does not increase beyond the amounts actually spent on the site; therefore overall, the IFRS book values of the development projects may understate the realisable value;
- as security for Inland's obligations under the Contribution Agreement and Loan Note ZDPCo will have the benefit of first charges over the Pledged Cash and the Pledged Assets as explained above. If the value of the Pledged Assets falls below 120 per cent. of the balance due to ZDP Shareholders net of the Pledged Cash, Inland shall transfer cash to the designated bank account charged to ZDPCo or provide first ranking security over tangible assets to ZDPCo within 3 months, so that 120 per cent. of the balance due to ZDP Shareholders, net of the Pledged Cash, continues to be supported by first charged assets. ZDPCo should rank higher than creditors and holders of Inland Ordinary Shares in any liquidation in respect of the Pledged Cash and Pledged Assets; and
- any proceeds from the disposal of ZDP Shares whether by selling them in the market or on receipt of the Final Capital Entitlement should (under current tax law) be subject to tax on any capital gains realised, rather than as income, which may result in lower tax rates being applicable (see paragraph 15 of Part 7).

2. Information on ZDPCo and Intra-Group Arrangements

ZDPCo is incorporated and registered in England and Wales. It is a wholly-owned subsidiary of Inland and has been established solely for the purpose of issuing the ZDP Shares. ZDPCo has no business or employees. Following the Placing, Inland will continue to control all of the voting shares in ZDPCo, although ZDP Shareholders will have protections afforded to them by virtue of the class rights attached to ZDP Shares.

The proceeds of the issue of the ZDP Shares pursuant to the Placing will represent substantially most of the assets of ZDPCo. ZDPCo will lend the gross proceeds of the issue of the ZDP Shares received by it to Inland. In order, however, for ZDPCo to be in a position to repay all the ZDP Shares on the ZDP Final Payment Date, the two companies will enter into arrangements whereby sufficient assets of Inland should be made available to meet the repayment of the ZDP Shares.

Accordingly, upon Admission, ZDPCo will enter into a Contribution Agreement with Inland and acquire the Loan Note to be issued by Inland. The Contribution Agreement commits Inland to contribute (by way of gift, capital contribution or otherwise), such amount as ZDPCo requires to satisfy ZDP Shareholders' Capital Entitlements and to fund any costs and expenses of ZDPCo. No interest accrues on the Loan Note, which will become repayable by Inland on the ZDP Final Payment Date or such other date requiring early repayment.

Inland may satisfy its financial obligations under the Contribution Agreement and Loan Note out of its assets and cash flows or finance raised by new issues of securities or new borrowings as explained in paragraph 3 below. The Loan Note and the undertakings in the Contribution Agreement contain certain protections for the holders of the ZDP Shares, including restrictions on Inland's ability to issue additional shares and other securities ranking *pari passu* with or in priority to the ZDP Shares or to reduce Inland's issued share capital or to pay a dividend or make any distribution, in each case in circumstances where the Cover Test has not been met (or, in the case of the payment of any dividend or the making of a distribution by a member of the Group to shareholders who are also members of the Group, the Cover Test is not reduced as a result of the paying or making of any such dividend or distribution).

The Loan Note also contains covenants in favour of ZDPCo so that Inland is required to maintain Pledged Assets equal to 120 per cent. of the accrued capital entitlement of the ZDP Shares, net of the Pledged Cash as security for the obligations of Inland under the Loan Note and Contribution Agreement. Under the Contribution Agreement and Loan Note, Inland has also undertaken to meet the running costs of ZDPCo and not to transfer its ownership of the ordinary shares in the capital of ZDPCo.

Pending application by Inland, the gross Placing proceeds will be lent to Inland pursuant to the Loan Note and placed in the Secured Account as Pledged Cash with first priority security over that account granted in favour of ZDPCo. On Admission, the amount due to ZDP Shareholders will be covered by the payment of the gross Placing proceeds into the Secured Account. Thus the aggregate value of the £8.5 million cash held in the relevant Secured Account will provide 100 per cent. cash cover for the initial £8.5 million capital value of the ZDP Shares. Amounts may be withdrawn from the Secured Account to fund both Inland's business and loans made by Inland to other Group Companies in each case either to use to reduce debt or to invest in the business subject to there being granted in favour of ZDPCo first ranking security over Pledged Assets with sufficient value to satisfy the 120 per cent. cover requirement described above. ZDPCo's first priority security over Pledged Assets is expected to be released from time to time (for example when assets are sold or to facilitate building loans required to be secured on a specific site) at which time either (i) cash will be transferred to the Secured Account or (ii) charges over other assets will be granted in substitution to maintain the aggregate value of the Pledged Assets at 120 per cent. (or more) of the accrued capital value of the ZDP Shares, net of the Pledged Cash.

Inland has unencumbered sites which may be pledged to ZDPCo to fulfil its obligation to satisfy the 120 per cent. cover requirement described above. In addition, sites acquired with the Placing proceeds may be unencumbered and capable of being pledged to ZDPCo. Inland will select assets to be pledged having regard to the following:

- (i) the period before the expected sale of the asset;
- (ii) the value of the asset in relation to the value of security required at the relevant time; and
- (iii) whether Inland expects to build houses on the site, financed by building loans where the lender is expected to require security over such asset.

On or shortly after Admission, ZDPCo and Inland will enter into an agreement governing the basis upon which the Pledged Cash and Pledged Assets will be secured in favour of ZDPCo and the enforcement of that security (the "**Master Security Agreement**"). Provision will be made for other companies within the Inland Group to accede to these arrangements where one or more of their assets are to be provided as Pledged Assets.

Further details of the Loan Note, the Contribution Agreement and the Master Security Agreement are set out in paragraphs 19.1, 19.2 and 19.3 of Part 7 of this document.

On the ZDP Final Payment Date, which is 10 April 2019, ZDPCo will be wound up in the course of which, the Final Capital Entitlement will be paid to ZDP Shareholders. Details of the risks relating to an investment in the ZDP Shares is set out in the section entitled 'Risk Factors' in this document.

The reason that the ZDP Shares are being issued through ZDPCo (rather than being issued by Inland) is to facilitate the granting of security to ZDPCo and to avoid the need to wind up Inland or disturb interests in properties in order to be able to repay the ZDP Shares on the ZDP Final Payment Date. It is possible that ZDP Shareholders may be offered the opportunity to receive new zero dividend preference shares in a new company in lieu of cash at the ZDP Final Payment Date.

3. Payment of Capital Entitlement to the ZDP Shareholders

The Final Capital Entitlement payable on the ZDP Final Payment Date will be up to £13,251,794 if 8.5 million ZDP Shares are in issue at that time.

The payment of Capital Entitlements to ZDP Shareholders will be effected by winding up ZDPCo and paying the Capital Entitlements as a capital distribution in the liquidation. Inland is committed under the Contribution and Loan Agreements to ensure that ZDPCo has the resources needed to meet its obligations.

The winding-up of ZDPCo should result in the charges over the Pledged Assets being released which should enable replacement funding to be secured on them. The charges over the Pledged Assets may be released shortly prior to the Final ZDP Payment Date to facilitate the mechanics for financing the payments to ZDP Shareholders.

In order to enable ZDPCo to pay the Final Capital Entitlement, Inland is expected to arrange finance by one or more of the following means:

- out of the proceeds of a further issue of zero dividend preference shares, which also may be offered as a roll-over option to holders of the ZDP Shares;
- by drawing down bank debt;
- out of the proceeds of an issue of ordinary shares by Inland;
- by managing the portfolio to accumulate cash from property sales; and/or
- by selling a portfolio of property interests.

The Inland Directors will react to opportunities and conditions in the development property market, credit markets and capital markets and plan for the financing of the ZDP Shares well ahead of the repayment date. Inland may consider financing the Final Capital Entitlement by way of a new issue of zero dividend preference shares if sufficient appetite from existing and/or new investors can be established in the three months prior to the ZDP Final Payment Date to justify the expense of arranging such an issue and the Inland Directors deem there to be sufficient opportunities for its ongoing investment at the relevant time.

4. Asset Cover and other ratios

The Final Capital Entitlement will be 155.90p per ZDP Share.

Cover ratios can be calculated in different ways. In this document the illustrative cover ratios exclude intangible assets (such as Inland Group's deferred tax asset).

There are several methods of calculating ZDP Share cover ratios two examples of which are set out below as follows:

- (i) Gross tangible assets less trade creditors divided by the Final Capital Entitlement and all other financial indebtedness; and
- (ii) Gross tangible assets less prior ranking liabilities divided by the Final Capital Entitlement.

The Cover Ratio shown in the Placing Statistics on page 24 of this Prospectus and used in ZDPCo's agreements with other Inland Group companies and its Articles of Association is based on the more conservative method (i) above. Morningstar publishes cover ratios for ZDP Shares on the basis of method (ii) above.

Deferred consideration of up to 60 per cent. of the initial purchase price payable for property is treated as a trade creditor for the purpose of the Cover Ratio illustrated below as Basis (i), with any excess treated as Financial Indebtedness. All unsecured amounts repayable more than six months after the ZDP Final Payment Date are excluded from the Cover Ratio calculation because the ZDP Shareholders will have received their

Final Capital Entitlement before such debts are required to be repaid. However, the full amount of deferred consideration due to vendors who have no recourse to the Inland Group's assets other than the asset sold by that vendor to the Inland Group are treated as trade creditors for the purposes of the Cover Ratio unless excluded by virtue of being due for payment more than six months after the ZDP Repayment Date.

The cover ratios are illustrated below by reference to the Inland Group's audited financial statements as at 30 June 2012, as though the Group's cash including the net Placing proceeds had been invested in the business rather than being held as cash and reducing the Financial Indebtedness:

Basis (i)

	£'000
Gross assets (excluding intangibles)	60,832
Plus net placing proceeds invested in inventories	8,080
Less trade creditors	(7,922)
A	60,990
Financial Indebtedness	7,779
Final Capital Entitlement	13,252
B	21,031
Cover ratio A/B	2.90

Basis (ii)

	£'000
Gross assets (excluding intangibles)	60,832
Plus net placing proceeds invested in inventories	8,080
Less prior ranking liabilities	(15,701)
C	53,211
Final Capital Entitlement	13,252
D	13,252
Cover ratio C/D	4.02

The assets supporting the ZDP Shares comprise all Inland's assets (pursuant to the terms of the Contribution Agreement) including the Pledged Assets which are held by or pledged to ZDPCo by way of first charges, with a value which exceeds 120 per cent. of the accruing capital value of the ZDP Shares, net of the Pledged Cash, as explained above in this paragraph. Assets, which are not pledged to ZDPCo, held by subsidiary companies of Inland may be subject to prior claims by creditors and other lenders, which is recognised in the above ratios by deducting amounts due to creditors from assets or by including them in the Financial Indebtedness figure.

Gearing Ratio

The Gearing Ratio is illustrated by reference to Inland's consolidated balance sheet as at 30 June 2012, assuming the net Placing proceeds and other cash is invested in the business rather than reducing gearing:

	£'000
Financial Indebtedness	7,779
Initial ZDP Liability	8,500
E	16,279
Gross assets (excluding intangibles)	60,832
Plus net placing proceeds invested in inventories	8,080
Less trade creditors	(7,922)
F	60,990
Gearing Ratio (E/F)	26.7%

Hurdle rate

The hurdle rate is a calculation of the compound annual rate of decline in the initial tangible asset values shown in the cover ratio illustrations above which would result in the Inland Group's assets having a value equal to the Final Capital Entitlement of the ZDP Shareholders such that any further decrease in asset values would result in a shortfall.

The Hurdle Rate to return the Final Capital Entitlement is –65.5 per cent. which amounts to a compound annual return on tangible asset values of -15.5 per cent. per annum.

The minimum Hurdle Rate to return the Issue Price is –73.3 per cent. which amounts to a compound annual return on tangible asset values of -18.9 per cent.

Wipe out rate

The decrease in the value of the Pledged Assets shown above which would result in there being no distribution to ZDP Shareholders on the ZDP Final Payment Date is 100 per cent.

5. Summary of rights and protections afforded to ZDPCo and ZDP Shareholders

5.1 Security arrangements and consequences of a failure to maintain asset cover

The arrangements whereby ZDPCo has first ranking security over the Pledged Cash and Pledged Assets are described in paragraph 2 above. ZDPCo also has recourse to Inland's other assets under the Contribution Agreement. However, Inland's claims over its subsidiary companies' assets may be structurally subordinated to the claims of unsecured creditors of such subsidiaries. Other Inland Group borrowings may be secured on Inland Group's assets, but may only be secured on the Pledged Cash or Pledged Assets if such security ranks behind the first charges held by ZDPCo.

Potential investors should note that the Final Capital Entitlement is not guaranteed by any third party outside the Inland Group and there is a risk that Inland will not have the resources to comply with its obligations to pay the Final Capital Entitlements to ZDP Shareholders in full when they fall due.

The covenant requiring the book value (under IFRS) of the Pledged Assets held by or for ZDPCo to exceed 120 per cent. of the accrued obligations due to ZDP Shareholders, net of the Pledged Cash, will be tested quarterly on the Covenant Testing Dates provided that the provisions of this paragraph shall not apply after 1 January 2019 provided the Board of ZDPCo is satisfied that ZDPCo has, and will retain, sufficient cash in its own bank account to fund the Final Capital Entitlement as at 10 April 2019. If there is a shortfall which is not remedied within three months, ZDPCo will convene a class meeting of ZDP Shareholders to consider proposals for the continuation of ZDPCo. If such proposals are not approved by ZDP Shareholders by special resolution, ZDPCo will be wound up and ZDP Shareholders will be entitled to receive their accrued capital entitlement at the winding-up date (assuming that the Inland Group has sufficient resources to meet such entitlement); Inland shall be prohibited from making any payment to its shareholders whether by way of dividend, capital distribution, buying back its own shares or otherwise in cash or in kind if the Cover Ratio (calculated on Basis 1 as illustrated in paragraph 4 above) following such payment is 1.8 times or less.

In addition, if Inland's Gearing Ratio of:

- (i) Financial Indebtedness plus the accrued obligations to ZDP Shareholders to
- (ii) Assets

amounts to 40 per cent. or more (or would do so if the Inland Group purchased further sites),

the Loan Note restricts the Inland Group from increasing its "borrowings" to acquire new sites. A more detailed description of the Gearing Ratio calculation is set out in paragraph 15.3 of Part 1 above.

The purpose of the Gearing Ratio is to limit the extent of ZDP Shareholders' leveraged exposure to a fall in asset values (ie the value of houses and building land), not to restrict the completion of existing development and building projects. Accordingly, this restriction on increasing the Inland Group's borrowings does not apply to new borrowings incurred to complete the development of existing sites, borrowing for other pre-existing financial liabilities and working capital purposes or debt incurred for the purpose of returning cash to ZDP Shareholders or other financial liabilities as it may be necessary or desirable to complete development and other work before marketing assets for sale to reduce borrowings. However, borrowings incurred for developing existing sites and working capital are treated as financial indebtedness so that increasing borrowings for such purposes could result in the Inland Group being prohibited from buying new sites until sufficient borrowings had been repaid to reduce the above Gearing Ratio to below 40 per cent. after taking any proposed site purchase into account.

Under the Loan Note, Inland may not make a fundamental change to its business model without the previous sanction of a special resolution passed at a general meeting of the ZDP Shareholders.

The covenant tests and ratios referred to in this paragraph are based on book values under IFRS. A description of how these are compiled by Inland and reviewed by Inland's auditors is set out in paragraph 11 of Part 1 above.

5.2 *Redemption yield*

The ZDP Shares will have a life of approximately six years and four months and a Final Capital Entitlement of 155.9 pence per ZDP Share on the ZDP Final Payment Date, equivalent to a Redemption Yield of 7.3 per cent, per annum on the Issue Price.

The Redemption Yield of a ZDP Share is not and should not be taken as a forecast of profits and there can be no assurance that the Final Capital Entitlement of the ZDP Shares will be repaid in full on the ZDP Final Payment Date.

5.3 *Payment dates of Capital Entitlements*

ZDPCo will be wound up on 10 April 2019, when ZDP Shareholders will be entitled to receive the Final Capital Entitlement.

ZDPCo may be wound up earlier than this:

- (i) if the value of the Pledged Assets held by or for ZDPCo falls below 120 per cent. of the accrued amount due to holders of ZDP Shares, net of the Pledged Cash, on any Covenant Testing Date and the shortfall is not remedied within three months of such Covenant Testing Date and ZDP Shareholders do not approve alternative proposals as a waiver; or
- (ii) if there is a fundamental change (as defined in the AIM Rules for Companies) to the Inland Group's business unless ZDP Shareholders waive the requirement for a winding-up at a class meeting; or
- (iii) there is an event of default under the terms of the Loan Note, such as the reduction of the capital of an Inland Group company reducing the Cover Ratio below 1.8 times, and ZDP Shareholders do not approve alternative proposals as a waiver; or
- (iv) in the event of a change of control of Inland (see paragraph 5.4) below and ZDP Shareholders do not approve alternative proposals as a waiver.

If ZDPCo is wound up before the ZDP Final Payment Date, ZDP Shareholders will be entitled to receive the accrued capital value of the ZDP Shares up to the date of the winding up.

5.4 *Change of control*

If there is a change of control of Inland whereby a single shareholder or group of shareholders acting in concert (as defined in the City Code on Takeovers and Mergers) become the holders of 50 per cent. or more of the shares carrying voting rights at general meetings of Inland, ZDPCo will call a class

meeting of ZDP Shareholders to consider proposals for the continuation of ZDPCo. If such proposals are not approved by: (i) a special resolution of the ZDP Shareholders, excluding any votes cast by persons acting in concert with the controlling shareholder(s); and (ii) an ordinary resolution of the ordinary shareholders of ZDPCo will be wound up.

5.5 *No entitlement to income*

The ZDP Shares carry no entitlement to income and the whole of their return comprises their right to a capital sum on liquidation of ZDPCo.

5.6 *Voting rights*

The ZDP Shares do not generally carry the right to vote at general meetings of ZDPCo, although they carry the right to vote as a class on certain proposals which would be likely to materially affect their position.

These include the issue of a new class of zero dividend preference shares by any Inland Group Company which effectively rank ahead of the ZDP Shares by virtue of being entitled to a return of capital prior to the ZDP Final Payment Date.

Further information on the rights attaching to the ZDP Shares is set out in paragraph 7 of Part 7 of this document.

6. Operating Costs, expenses and cash flow of ZDPCo

6.1 *ZDPCo Directors and company secretary*

The ZDPCo Directors will not be entitled to additional remuneration in respect of the provision of services to ZDPCo. Inland will be responsible for all and any amounts which may become payable to the ZDPCo Directors in respect of expenses for which they are entitled to be reimbursed under the terms of their service agreements (described in paragraph 12.1 of Part 7) as directors of a wholly owned subsidiary of Inland. The amount of remuneration received by the Inland Directors for the last full financial year is set out in paragraph 10 of Part 7 of this document.

6.2 *Other Operational Expenses*

Other ongoing operational expenses of ZDPCo are borne by Inland, including management, accounting, printing, audit and legal fees. Inland will also pay the costs and expenses of the Placing.

6.3 *ZDPCo Dividends*

ZDPCo does not intend to pay any dividend while the ZDP Shares are in issue.

7. ISIN and SEDOL Codes

The ISIN and SEDOL Codes for the ZDP Shares are GB00B99R1Q79 and B99R1Q79 respectively.

PART 3

THE PLACING

The ZDP Shares are only suitable for investors: (i) who understand the potential risk of capital loss and the fact that there may be limited liquidity in the underlying investments of Inland; (ii) for whom an investment in the ZDP Shares would be of a long-term nature constituting part of a diversified investment portfolio; and (iii) who fully understand and are willing to assume the risks involved in investing in the ZDP Shares and indirectly in Inland through their investment in ZDP Shares, as the ability of ZDPCo to pay the Final Capital Entitlement on the ZDP Final Repayment Date is dependent on the financial position of the Inland Group at that time.

1. The Placing

Under the Placing, 8.5 million ZDP Shares are being made available to investors at the Issue Price of 100 pence per ZDP Share, raising gross proceeds of £8.5 million, subject to commissions and other estimated fees and expenses of up to £0.42 million.

Libertas and its Registered Representatives have agreed under the Placing Agreement to use their reasonable endeavours to procure Placees for the ZDP Shares pursuant to the Placing on the terms and subject to the conditions set out in the Placing Agreement. Details of the Placing Agreement are set out in paragraph 19.4 of Part 7 of this document.

As at the date of this document, Libertas has received commitments from certain institutional investors to subscribe for in aggregate 8.5 million ZDP Shares at the Issue Price. The Placing has not been underwritten by Libertas.

The Placing is conditional, *inter alia*, on:

- 1.1 the Placing Agreement becoming wholly unconditional (save as to Admission) and not having been terminated in accordance with its terms prior to Admission; and
- 1.2 Admission occurring by 8.00 a.m. on 20 December 2012 (or such later date, not being later than 11 January 2013, as Inland, ZDPCo and Libertas may agree).

In the event that there are any significant changes affecting any of the matters described in this document or where any significant new matters have arisen after the publication of this document and prior to Admission, ZDPCo will publish a supplementary prospectus. The supplementary prospectus will give details of the significant change(s) or the significant new matter(s).

The Placing can not be revoked after dealings in the ZDP Shares have commenced on the London Stock Exchange

2. Issue Price and Commissions

The ZDP Shares have been conditionally placed at an Issue Price of 100 pence per ZDP Share.

Whilst Libertas and its Registered Representatives will, subject to Admission becoming effective, be entitled to a commission payable by Inland in connection with monies raised under the Placing, no commissions are payable by ZDPCo or Inland to Placees in relation to the Placing.

3. CREST

The ZDP Shares will be issued in registered form and will be eligible for settlement through CREST with effect from Admission. The ZDP Shares allotted will be transferred to Placees through the CREST system unless otherwise stated. Member firms should have given their CREST settlement details to Libertas in their Placing Letter.

ZDPCo will arrange for CREST to be instructed to credit the appropriate CREST accounts of the Placees concerned or their nominees with their respective entitlements to the ZDP Shares. The names of Placees or their nominees that invest through their CREST accounts will be entered directly on to the share register of ZDPCo.

4. Dealing Arrangements

Application has been made to the FSA and to the London Stock Exchange respectively for admission of all of the ZDP Shares to the Official List by way of a standard listing under Chapter 14 of the Listing Rules and to the London Stock Exchange's market for listed securities. It is expected that dealings in the ZDP Shares will commence on 20 December 2012. Dealings in ZDP Shares in advance of the crediting of the relevant stock account shall be at the risk of the person concerned.

The ISIN and SEDOL Code for the ZDP Shares are GB00B99R1Q79 and B99R1Q79 respectively.

Numis Securities Limited and Winterflood Securities Limited intend to make a market in ZDP Shares.

5. Settlement

Payment for the ZDP Shares should be made in accordance with settlement instructions to be provided to Placees by Libertas. Monies received by the Registrar will be held in segregated client accounts pending settlement.

6. Transfer of the ZDP Shares

The transfer of the ZDP Shares outside the CREST system should be arranged directly through the Registrar by completing and lodging an appropriate stock transfer form. However, an investor's beneficial holding held through the CREST system may rematerialise, in whole or in part, only upon the specific request of a beneficial owner to CREST through submitting a stock withdrawal form for share certificates or an uncertificated holding in definitive registered form.

If a ZDP Shareholder or transferee requests ZDP Shares to be issued in certificated form and is holding such ZDP Shares outside CREST, a share certificate will be despatched either to them or their nominated agent (at their own risk) within 10 days of completion of the registration process or transfer, as the case may be, of the ZDP Shares. ZDP Shareholders holding a definitive certificate may elect at a later date to hold their ZDP Shares through CREST or in uncertificated form, provided they surrender their definitive certificates.

PART 4

DIRECTORS AND CORPORATE GOVERNANCE

1. Directors

1.1 The following are Directors of ZDPCo:

<i>Name</i>		<i>Date appointed</i>
Stephen Wicks	Chairman	22 November 2012
Nishith Malde	Director	22 November 2012
Paul Brett	Director	22 November 2012

1.2 The following are Inland Directors:

<i>Name</i>		<i>Date appointed</i>
Terry Roydon	Chairman	8 March 2009
Stephen Wicks	Chief Executive	16 June 2005
Nishith Malde	Finance Director	16 June 2005
Paul Brett	Land Director	3 October 2011
Simon Bennett	Non-executive	8 March 2007

The management expertise and experience of each of the ZDPCo Directors and Inland Directors is set out below:

1. Terry Roydon, Non-executive Chairman aged 65 holds a BSc in Estate Management from the University of London and a Masters in Business Administration from the University of Pittsburgh. He was previously chief executive of Prowting plc, a UK housebuilder, which he led to flotation on the London Stock Exchange in 1988. The company was subsequently purchased by Westbury plc in June 2002 for £140m. Since 1998, Mr Roydon has been a consultant and member of the board of Dom Development S.A., a major quoted Polish residential developer, together with a number of non-executive and consultancy positions in the UK and continental housebuilding companies, including holding non-executive board positions with AIM quoted Kimberly Resources N.V., Country & Metropolitan plc (until 2005), Gladedale Holdings plc (until March 2007). and Larkfleet Limited. From 1995 to 1997 he was President of the European Union of Housebuilders and Developers.

2. Stephen Wicks, Chief Executive aged 61 was the founding shareholder and chief executive of Country & Metropolitan plc, which floated on the main market of the London Stock Exchange in December 1999 with a market capitalisation of £6.9m. He directed the growth of Country & Metropolitan plc until its disposal in April 2005 to Gladedale Holdings plc for approximately £72m. Mr Wicks has worked in the construction and housebuilding sector all of his working life and has extensive knowledge of local and national policies on both greenfield and brownfield sites.

3. Nishith Malde, Finance Director aged 54 qualified as a Chartered Accountant in 1985 with KPMG and specialised in advising owner managed businesses. He left KPMG in 1989 to set up a consultancy firm which later merged with an audit practice where he was the partner responsible for the affairs of Country & Metropolitan plc. Mr Malde joined Country & Metropolitan plc as finance director and company secretary in 1998. He was actively involved in the preparation for the flotation of Country & Metropolitan plc in December 1999 and its further development until it was acquired by Gladedale Holdings plc in April 2005. Mr Malde is also on the board of Energiser Investments plc, an AIM quoted company.

4. Simon Bennett, Non-executive Director aged 54 qualified as a Chartered Accountant in 1981 and has over 25 years' investment banking experience in the City. Mr Bennett was the head of corporate finance and head of the mid and small caps team at Credit Lyonnais Securities and, following its acquisition by Credit Agricole, he established Incremental Capital LLP to provide corporate finance advice to mid and small cap companies. In the latter part of 2005, Mr Bennett joined Baker Tilly as managing director of Baker Tilly

and Co. Limited. In late 2007 Mr Bennett joined Fairfax IS plc, the independent investment bank, as head of corporate broking. Mr Bennett has recently joined Merchant Securities as Head of Corporate Broking and is also non-executive chairman of Energiser Investments plc and a number of other private companies.

5. Paul Brett, Land Director aged 36 has been involved in the housing sector all of his working life, acquiring and master planning brownfield sites at Country & Metropolitan plc for ten years during which time he was promoted to Land Director of its Southern Region. Mr Brett joined the Inland Group in August 2005. He has extensive experience in identifying brownfield land and the necessary knowledge of the complexities of the planning system.

The business address of each of the ZDPCo Directors and Inland Directors is 2 Anglo Office Park, 67 White Lion Road, Amersham, Buckinghamshire HP7 9FB.

3. Corporate Governance

The UK Corporate Governance Code applies to companies with a premium listing, although other companies may comply on a voluntary basis. ZDPCo is not obliged to comply with the UK Corporate Governance Code because none of its securities have been, or are intended to be, admitted to premium listing, nor does ZDPCo intend to comply with that code on a voluntary basis.

ZDPCo is a special purpose company formed solely to issue the ZDP Shares. Its costs are all borne by Inland pursuant to the Contribution Agreement such that it has no transactions or cash flows of its own; except for and until cash is paid to it when (or shortly before) cash falls due to be paid to ZDP Shareholders. Its only assets are its rights pursuant to the Loan Note, the Master Security Agreement and Contribution Agreement. ZDPCo will have no business and no employees or executive directors and all the voting rights attaching to its shares are held by Inland, save in certain circumstances (as more fully described in paragraph 7 of Part 7) where ZDP Shareholders' prior approval will be required.

In the opinion of the ZDPCo Directors and Inland Directors, the interests of ZDPCo and ZDP Shareholders will be adequately covered by the governance procedures applicable to its holding company (Inland) save for certain specific responsibilities of ZDPCo's Board. For example, Inland's audit committee will consider the financial reporting procedures for the Group as a whole and the ZDPCo Directors and Inland Directors see no benefit in convening a separate audit committee for ZDPCo. The remit of the audit committee of Inland will be extended to include ZDPCo.

It is intended that the ZDPCo Board should meet quarterly to consider the adequacy of the Pledged Assets and compliance with the other terms of the Loan Note, the Contribution Agreement and security documentation, the interim and annual reports and accounts and any other matters which may arise. The ZDPCo Board will also meet at other times as and when required, for example to consider any proposals for the substitution of Pledged Assets. As ZDPCo has no employees all decisions will be taken by the Board.

None of the ZDPCo Directors are independent by virtue of their roles as Inland Directors and employees. The explanation for ZDPCo not having any independent directors is that its Board considers that, in the context of ZDPCo having no business, strategy or cash flows, the only matters requiring Board decisions can be properly addressed by non independent directors, who will have due regard to the interests of ZDP Shareholders. If a Director of ZDPCo resigns or dies, the whole ZDPCo Board will consider the parting Director's replacement (who would probably be a director of Inland) in conjunction with the Inland Directors because Inland controls all the voting rights exercisable at general meetings of ZDPCo in relation to the appointment of directors.

ZDPCo's whole board will consider its annual and interim reports and financial statements, which will not require any significant financial reporting judgements (due to the fact that ZDPCo will have no cash flows, transactions or business) save for any judgement required as to "going concern". As Inland is responsible for all ZDPCo's liabilities including its obligations to ZDP Shareholders, pursuant to the Loan Note and Contribution Agreement, the ZDPCo Directors will satisfy themselves that Inland's own assessment that it is a going concern has been properly conducted and reviewed by Inland's audit committee.

All ZDPCo Directors are willing to form relationships with ZDP Shareholders and ensure that the other ZDPCo Directors and the Inland Directors are made aware of any major ZDP Shareholders' issues and concerns.

The commentary in the remainder of this section refers to the operation of the Inland Board.

Whilst Inland, being a company whose Ordinary Shares have been admitted to trading on AIM, is not obliged to comply with the UK Corporate Governance Code, as at the date of this document, Inland voluntarily complies with the following provisions of the UK Corporate Governance Code:

A.3 Independent chairman;

C Presentation and assessment of the company's financial position and prospects, risk management, internal controls and audit committee, save for C.3.1 (re audit committee chairman), C.3.2 and C.3.5 (re internal audit) and C.3.8 (re disclosure of issues considered by the audit committee);

D.2 Remuneration committee; and

E Relations with shareholders.

The Inland Directors intend to continue to comply (as they do currently) with the above provisions of the UK Corporate Governance Code which they consider appropriate having regard to the size and nature of the various companies making up the Group. The Inland Board had regard to the Quoted Companies Alliance Guidelines for companies listed on AIM when formulating the governance arrangements described in this paragraph.

The Inland Board is responsible for approving the Group's policy and strategy. It meets frequently and receives and reviews, on a timely basis, financial and operating information appropriate to discharging its duties.

No individual or group of individuals dominates the Inland Directors' decision-making. The roles of Chairman and Chief Executive of Inland are split. There are two non-executive Inland Directors (including the Chairman), both of whom are considered to be independent.

Given the size of Inland it is not considered appropriate that there should be a separate nominations committee. It is the view of the Inland Board that the appointment of new directors should be a matter of consideration by the Inland Board as a whole. All appointments to the Inland Board are subject to confirmation by Inland shareholders at the annual general meeting following such appointment.

Inland values the views of its shareholders and recognises their interest in the Inland Group's strategy and performance and accordingly the Inland Board positively encourages their attendance at general meetings.

The Inland Directors have established an audit committee and a remuneration committee with formally delegated duties and responsibilities. The members of both committees are the non executive directors.

Audit committee

The audit committee, which is chaired by Terry Roydon, determines the terms of engagement of Inland's auditors and, in consultation with Inland's auditors, the scope of the audit. It receives and reviews reports from management and the auditors relating to the annual accounts and the accounting and internal control systems in use by Inland. The audit committee has unrestricted access to the Inland's auditors.

Remuneration committee

The remuneration committee, which is chaired by Simon Bennett, reviews the scale and structure of the executive directors' remuneration and the terms of their service contracts. The remuneration of the non executive directors is determined by the executive directors. No ZDPCo Director will receive any remuneration for their services to ZDPCo (from ZDPCo, Inland or any other party).

Whereas the UK Corporate Governance Code recommends that audit and remuneration committee should comprise a minimum of three independent non executive directors, in view of the size of Inland it is currently considered appropriate for each of these committees to comprise two non executive directors.

4. Share dealing code

Inland has adopted a share dealing code for the Inland Directors and employees which is based on the model code set out in the Listing Rules of the UKLA, amended as appropriate for a company whose shares are admitted to trading on AIM (particularly relating to dealing during close periods in accordance with Rule 21 of the AIM Rules). Inland takes steps to ensure compliance by the Board and relevant employees. This code has been extended to include dealings by Inland Directors in the securities of ZDPCo.

PART 5

FINANCIAL AND OTHER INFORMATION RELATING TO INLAND

The annual reports and accounts of Inland for each of the three years ended 30 June 2010, 30 June 2011 and 30 June 2012 (“Accounts”) are reproduced in sections A, B and C respectively of this Part 5. The Inland Group’s consolidated accounts have been prepared under international accounting standards approved for adoption in the EU.

Investors should note that statements regarding current circumstances and forward-looking statements made in each of the annual report and audited accounts referred to above speak as at the date of the relevant document and therefore such statements do not necessarily remain up to date as at the date of this document. Information included in this document, to the extent applicable, automatically updates and supercedes information included in Part 5 of this document.

Where the annual report and accounts of Inland in this Part 5 make reference to other documents such other documents are not incorporated into and do not form part of this document.

Contained in the Accounts is a discussion of the Group’s results of operations and financial condition for the financial years ended 30 June 2010, 2011 and 2012 which have all been prepared in accordance with IFRS. Prospective investors should read the following discussion, together with the whole of this document, including Risk Factors, and the Group’s historical consolidated financial statements contained in this Part 5 and should not just rely on the key or summarised information contained in this Part 5.

This Part 5 contains “forward-looking statements”. Those statements are subject to risks, uncertainties and other factors that could cause Inland’s future results of operations or cashflows to differ materially from the results of operations or cashflows expressed or implied in such forward-looking statements.

Accounting Policies

Accounts have been prepared in accordance with the Companies Act 2006 and IFRS. IFRS comprises standards and interpretations approved by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee as adopted in the European Union as at each relevant accounting period.

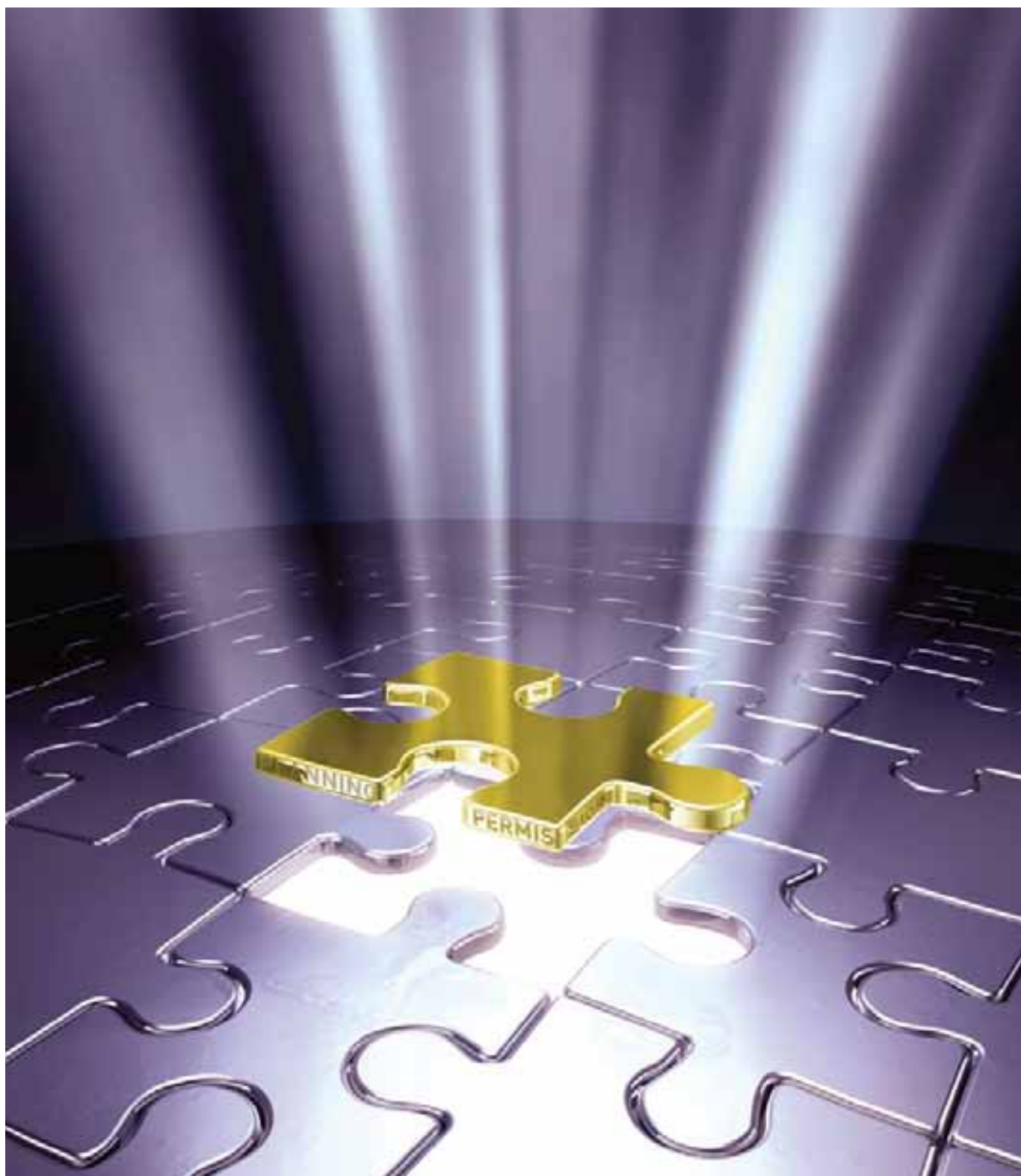
Operating and Financial Review

Annual Report (Page number of this document)	12 months to 30 June		
	2010	2011	2012
Financial condition	60	82	107
Significant factors affecting income	60	82	106
Material changes in sales or revenue	60	82	106-7
Policies and factors which could affect operations	61, 63	85	117



Inlandplc

ANNUAL REPORT AND ACCOUNTS 2010



Corporate statement

Inland plc is a leading brownfield regeneration specialist. We specialise in buying brownfield sites and enhancing their value through obtaining planning permissions for residential and mixed-use developments.

Inland's highly experienced land team has extensive knowledge of the complexities of the planning system which in turn enables it to unlock added value in property that others cannot.

We recognise the significant impact our activities can have on the environment and the communities in which we work.

We believe that managing these activities responsibly brings long term benefits to our shareholders as well as our other stakeholders.

At the heart of our business is the principle of sustainability – the need to conserve scarce resources for the benefit of future generations.

Creative thinking in brownfield development

Highlights

Operational highlights

- 158 building plots and 10 completed apartments sold in the year
- Planning consent obtained for 773 units at Drayton Garden Village since the year end
- Land bank controlled comprises 1,950 residential plots and 263,000 sq ft of commercial space of which
 - 1,357 (2009: 690) are consented residential plots
 - 163,000 sq ft (2009: 110,000) is consented commercial space
- Sale of one site completed and another two exchanged since the year end with a total value of £9.4m, of which £5.1m has no associated debt
- Sales agreed of 89 plots and 40,000 sq ft of commercial space for approximately £12.7m which has no associated debt

Financial highlights

Revenue

£16.5m
(2009: £5.2m)

Pre-tax profit

£1.1m
(2009: loss £10.5m)

Operating profit

£2.0m
(2009: loss £4.1m, loss £7.7m including exceptional loss)

Earnings per share

£0.68p
(2009: loss £7.83p)

Net assets

£44.5m
(2009: £40.4m)

Get the latest information online



www.inlandplc.com

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- PERFORMANCE
- INVESTOR RELATIONS
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Our year	Financial statements	Financial statements
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a 21st century answer to suburban living
Drayton Garden Village

31 acres

31 acre brownfield site

773 homes

Outline planning permission for 773 new homes, a Primary Healthcare facility, Nursing Home and a variety of commercial premises

www.draytongardenvillage.com



↓ Open space is to be distributed throughout the site. This provision of open space will open the site up to the surrounding area and will allow an integration between the existing and proposed communities.



↑ At the heart of the build are new houses which will cover 50% of the site. The houses will be designed to ensure that the environment is focused on people and not vehicles.

positive and responsive approach

putting the concerns of the local residents to the forefront

Inland is delighted to have acquired with a financial partner the sought after RAF West Drayton site in Middlesex, West London.

Inland has now obtained outline planning consent for 773 new homes, a primary healthcare facility, nursing home and a variety of commercial premises. The scheme was submitted to Hillingdon Council in November 2009 following a lengthy public consultation process with local residents and businesses, using the same suburban residential planning techniques of the 1930s where gardens, trees, hedgerows and green space dominate the landscape.

Local residents' had some concerns which were also Inland's concerns. The greatest worries were over parking and too much social housing. Therefore, in addition to the 773 residential properties, there will be 1,122 car parking spaces and a lower than average amount of affordable housing. Almost two-thirds of the whole site will be taken up with houses and gardens. Inland's vision is to create a place to live that is a leafy suburb. New tree-lined avenues with pedestrian links to the town centre and large open spaces formed over the four seasons will encourage people to walk and cycle rather than drive.

A new medical centre catering for those in the existing community as well as new residents, and an 80-bedroom care home were both on local residents' 'wish list'.



→ To complement the houses and to ensure integration with the adjacent Park West scheme, Inland will deliver a series of apartment buildings.



51 stunning new homes in an extraordinary woodland setting

Inland has entered into a joint venture with Howarth Homes PLC to develop this exciting project in Croxley Green, Hertfordshire. 15 homes have been pre-sold to a Housing Association for affordable housing with the private homes to be launched Spring 2011.

Both parties have committed £23m to the project with the scheme being fully funded by a private bank.

Total sales revenues of over £20m are expected from the development.



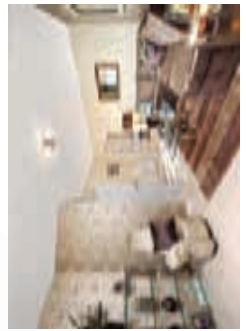
Queensgate, Farnborough

→ Inland Homes is developing 37 houses and apartments at Queensgate which has kick-started this major regeneration project of 370 private sector homes. The first occupiers are now taking place and the transformation of this formerly derelict brownfield site into a truly new community has begun.

www.queensgate-farnborough.com



[Queensgate show home interior](#)



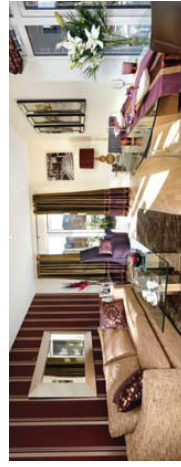
[Queensgate show home](#)



Byfleet, Surrey

↓ At Ellis Court we have a development of 14 houses and 14 apartments during the year with the remainder sold shortly thereafter. Howarth Homes carried out the construction to their normal high standards.

www.elliscourt.com



Queensgate, Farnborough

solid and sound vision

providing high quality homes, with an emphasis on excellent design and sustainability

This 24.5 acre site which we purchased from Defence Estates is now generating significant cash flow and profitability for Inland. A major milestone in June 2010 was the opening of the new link road through the site which has now 'put us on the map'.

The early phase of affordable housing is now almost completed, this was 29 family homes for Drum Housing Association built by our associate company Howarth Homes.

Inland Homes is developing 37 houses and apartments with almost 50% reserved or sold and the first occupations now taking place.

In the course of the year Inland sold 57 building plots to a national housebuilder who has now commenced development.



www.queensgate-farnborough.com



Hamworthy, Poole, Dorset



↑ Twin Sails Bridge now under construction

9.5 acres

9.5 acre brownfield site

2,000 homes

It is anticipated over 2,000 homes together with employment and leisure opportunities will be developed.

Inland owns 9.5 acres of the 40 acre Holes Bay Basin Regeneration area where it is anticipated over 2,000 homes together with employment and leisure opportunities will be developed.

A major step forward for the development is the start of the construction of the 'Twin Sails Bridge'. This iconic structure costing over £24m will form the 'gateway' to the development.

Now our team has secured the West Drayton consent our focus is to move forward to secure planning on this important project as soon as possible.

Chairman's statement



The Group's balance sheet and liquidity position is continuing to improve and whilst market conditions are fragile, we are confident about our strategy for the future.

INTRODUCTION

I am pleased to report that the year ended 30 June 2010 saw market conditions change dramatically during the second half. Demand for land with planning consent improved, leading to a significant increase in turnover, which in turn has improved the Group's liquidity position and returned it to profitability. We also raised a small amount of new equity during the early and latter part of the year to improve our working capital in a climate where securing bank finance has proved to be extremely challenging.

RESULTS

Total turnover resulting from sales, rental income and management fees was £16.5m (2009: £5.2m). Operating profit was £2.0m (2009: operating loss of £7.7m) and profit before tax was £1.1m (2009: loss before tax of £10.5m).

OPERATIONAL REVIEW

The results demonstrate that the market for land in the South East of England has improved significantly with the larger housebuilders showing more interest in purchasing land to replenish their land banks within their local regions.

We have disposed of most of the smaller sites within our portfolio and our strategy is to secure larger sites which will predominantly be purchased with joint venture partners. Our priority has been to generate cash flow in order to reduce both bank debt and settle outstanding deferred land payments.

During the year ended 30 June 2010 we sold 158 building plots (2009: 25 building plots) and ten completed apartments at our development in Byleet. On the planning front we were successful in obtaining planning permission on all but four sites within our portfolio. In May 2010, a resolution to grant planning permission subject to the signing of a legal agreement was received at West Drayton for 773 units and 55,000 sq ft of commercial space comprising a nursing home, a primary care trust and some office space. The legal agreement has now been signed and the planning permission issued.

The land bank under our control currently comprises of 1,357 consented residential plots and 163,000 sq ft of consented commercial space including 80,000 sq ft for two care homes. We have a further 600 plots and 100,000 sq ft of commercial space being processed through the planning system.

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Since the year end we have completed the sale of one site and exchanged contracts on two others with a total value of £9.4m. We have also completed the sale of ten residential units since the year end with forward sales of ten residential units either reserved or exchanged. Looking forward, we have also agreed the sale of 89 plots and 40,000 sq ft of commercial space for approximately £12.7m which has no associated debt.

INVESTMENTS

Our associate company, Howarth Homes PLC has seen trading improve over its last financial year to 31 July 2010 having refinanced its loans out of RBs. Howarth has returned to profitability and is currently developing live sites with a total of 111 units which includes a site of 51 units in a joint venture with Inland. In addition, the company has construction contracts in hand valued at £24m.

OUTLOOK

Whilst the current economic uncertainty, lack of mortgage finance and shortage of bank funding for land are a concern for the Group, we are pleased that the Group's existing sites are located in areas of good demand and will continue to generate cash flow and profitability. Our strategy is to pursue larger opportunities in partnership with others and where appropriate small scale residential developments. The Group's financial and liquidity position is continuing to improve and whilst market conditions are fragile, we are confident about our strategy for the future.

TERRY ROYDON
CHAIRMAN

Our strategy

The Group's principal objective is to achieve long term value for its shareholders, this will be achieved by **maximising the value of the land bank** with a number of alternative strategies including the following:

- ➔ Sale of sites to other housebuilders
- ➔ Development of selected sites by Inland Homes
- ➔ Securing large scale projects
- ➔ Joint ventures with third parties

Chief Executive's review



Having made significant progress in the last year under a very difficult trading environment, I believe we are now well placed to make significant progress on all of our objectives over the coming period.

In last year's review I stated 'under current conditions we are optimistic that an early return to profitability and asset growth will be achieved'.

I am pleased to say that, despite the extremely difficult banking climate and a grotesque planning system that has to be experienced to be believed, Inland has achieved those short-term objectives and is looking forward to some considerable milestones in the growth of our business.

At our flagship development Drayton Garden Village in West London we finally achieved planning permission eleven months after submitting the application and 21 months after the purchase completion. We spent over £1m on planning and professional fees and had to employ over 25 firms of consultants as part of the process; this was on a brownfield site that had an adopted planning brief to start with! This is now however a very valuable consent for us comprising 773 homes together with commercial space including a site for an 80-bed nursing home. This planning consent demonstrates that, in my view, the Inland team is one of the best in the industry and are experts in negotiating a successful way through the minefield that is our planning system.

Demolition and site clearance is now well under way and the first land sale of the 59 affordable housing plots has been exchanged which will result in a gross land receipt of £5.1m. Howarth Homes, our associate company has secured a £6.9m building contract to construct the units for Catalyst Housing Association. We have considerable interest in further plots on this site from most of the major housebuilders and we expect to announce another land sale in the first half of the new financial year.

Investors will recall that this project is being developed with a financial partner where Inland expects to receive up to 90% of the net profit.

Against a backdrop of substantial projected population increase and new housebuilding starts at historic lows, it defies belief that the new coalition government has scrapped regional spatial strategies leaving local authorities to decide their own housing targets. It appears that local authorities across the country have already abandoned plans for over 100,000 new homes as a direct result of this new policy. Providing financial incentives to local authorities to grant consents is fundamentally flawed and introduces another layer of confusion into a system already burdened by political interference.

At Inland we intend to continue targeting and bringing forward large scale complex brownfield sites where, despite the painstaking work along the way, we end up with an extremely valuable prize at the end of the process.

The new planning regime is likely to increase land shortages particularly in the south-east and Inland will be well placed to capitalise on this.

Having secured the West Drayton consent, our team is now concentrating on achieving consents on the remaining sites in our portfolio being Poole, Dorset and Hayes, Middlesex which should be capable of producing circa 350 units. When these planning permissions are granted, we estimate that Inland will own approximately 1,900 consented plots together with substantial commercial space.

The Group is at the early stages of securing a new major opportunity that should yield over 400 plots and is selectively back in the market looking at new projects.

With the effective withdrawal of bank appetite to fund our business model we are working on some initiatives to finance a new generation of projects working with a variety of joint venture partners and investors.

In the course of the year we signed our first 'Asset Management Agreement' with a brownfield landowner in West London. This agreement requires us to manage the planning process on the land to maximise its value and enables Inland to participate in the resulting revenue and subject to certain hurdle rates being achieved. We are working on expanding this concept with other landowners which will enable us to use our expertise to create additional profit centres without using very much capital.

Having returned to profitability our focus and priorities going forward are:

→ cash generation to enable early repayment of the current bank facility and to provide capital for new projects;

→ establishing new relationships with potential funders/joint venture partners where our development skills can be utilised to mutual benefit; and

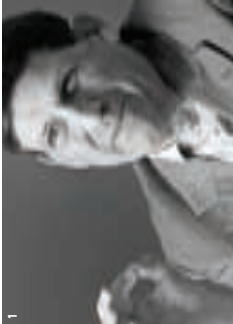
→ identifying and securing a new generation of large scale projects for future asset growth and increasing shareholder value.

Having made significant progress in the last year under a very difficult trading environment, I believe we are now well placed to make significant progress on all of our objectives over the coming period.

STEPHEN WICKS
CHIEF EXECUTIVE

Directors and advisers

1. Terry Roydon, Non-executive Chairman (aged 63) holds a BSc in Estate Management from the University of London and a Master in Business Administration from the University of Bath. He was previously chair of the Board of the UK housebuilding company, which he led to flotation on the London Stock Exchange in 1985. The company was subsequently purchased by Westbury plc in June 2002 for £140m. Since 1998, Mr Roydon has been a consultant and member of the board of Dom Development S.A., a major quoted Polish residential developer, together with a number of non-executive and consultancy positions in the UK and continental housebuilding companies, including holding non-executive board positions with AIM quoted Engel East Europe N.V., Country & Metropolitan plc (until 2005), Gladedale Holdings plc (until March 2007) and McCann Homes Holdings Limited. From 1995 to 1997 he was President of the European Union of House Builders and Developers.



2. Stephen Wicks, Chief Executive (aged 59) was the founding shareholder and chief executive of Country & Metropolitan plc, which floated on the main market of the London Stock Exchange in 1989. He became the chief executive of Gladedale Holdings plc in 1999, which was subsequently acquired by Country & Metropolitan plc until its disposal in April 2005 to Gladedale Holdings plc for approximately £72m. Mr Wicks has worked in the construction and housebuilding sector all of his working life and has extensive knowledge of local and national policies on both greenfield and brownfield sites.

3. Nishith Malde, Finance Director (aged 52) qualified as a Chartered Accountant in 1985 with KPMG and specialised in advising owner managed businesses. He left KPMG in 1989 to set up a consultancy firm which later merged with an audit practice where he was the partner responsible for the affairs of Country & Metropolitan plc. Mr Malde joined Country & Metropolitan plc as finance director and company secretary in 1998. He was actively involved in the preparation for the flotation of Country & Metropolitan plc in December 1999 and its further development until it was acquired by Gladedale Holdings plc in April 2005. Mr Malde is also on the board of Energiser Investments plc, an AIM listed company.



Directors and advisers

4. Simon Bennett, Non-executive Director (aged 52) has over 25 years' investment banking experience in the City. Mr Bennett qualified as a Chartered Accountant with Deloitte in 1977. He subsequently joined the London Stock Exchange in 1980, where he was subsequently acquired by Citicorp in 1984. Thereafter, Mr Bennett was instrumental in establishing the mid and small cap advisory business of Citicorp Scrimgeour Vickers which was focused on fast growing mid and small cap companies. In June 1995, Mr Bennett joined Credit Lyonnais Securities and, following the defection of a team to a rival company, became head of corporate finance and head of the mid and small caps team in June 2000. In June 2004, Mr Bennett left Credit Lyonnais, following its acquisition by Credit Agricole, and established Incremental Capital LLP to provide corporate finance advice to mid and small cap companies. In the latter part of 2005, Mr Bennett joined Baker Tilly as managing director of Baker Tilly and Co. Limited. He left the practice to concentrate full time on growing Citicourt & Co. Limited, an independent corporate finance advisory business, where he was the managing director and the majority shareholder. In late 2007 Mr Bennett joined Fairfax IS plc the independent investment bank as head of corporate broking. Mr Bennett is also non-executive chairman of Energiser Investments plc and a number of other private companies.



COMPANY REGISTRATION NUMBER
540290

COMPANY SECRETARY
INSITHI MALDE FCA

REGISTERED OFFICE AND WEBSITE
2 Anglo Office Park
67 White Lion Road
Amersham
Buckinghamshire HP7 9FB
www.inlandplc.com

NOMINATED ADVISER AND BROKER
FRICKA LIMITED
4 Coleman Street
London EC2R 5TA

SOLICITOR
DORSET & WHITNEY LLP
21 Wilson Street
London EC2M 2TD

AUDITOR
GRANT THORNTON UK LLP
Churchill House
Chalvey Road East
Slough
Berkshire SL1 2LS

BANKER
ROYAL BANK OF SCOTLAND
280 Bishopsgate
London EC2M 4RB

REGISTRAR
CAPITA REGISTRARS
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Directors' report

The Directors present their report and the financial statements of the Group and the Company for the year ended 30 June 2010.

PRINCIPAL ACTIVITY
The principal activity of the Company and its subsidiaries (together called the Group) is to acquire residential and mixed use sites and seek planning consent for development.

RESULTS AND DIVIDENDS
The trading results for the year are set out in the Group Income Statement on page 20 and the Group's financial position at the end of the year is set out in the Group Statement of Financial Position on page 21. Further details of the performance during the financial year and expected future developments are contained in the Chairman's Statement which forms part of the Directors' Report. The Company has paid no dividends during the year and does not recommend the payment of a final dividend.

BUSINESS REVIEW
A review of the development and performance of the business during the year and the future outlook of the Group is set out in the Chairman's Statement on pages 8 to 9. The Group's key performance indicators are turnover, profit before tax, net assets per share and the number of plots with and without planning consent. These indicators are monitored closely by the Board and the details of performance against these are given in the Chairman's Statement.

PRINCIPAL RISKS AND UNCERTAINTIES
The management of the business and the nature of the Group's strategy are subject to a number of risks.

The Directors have set out below the principal risks facing the business. Where possible, processes are in place to monitor and mitigate such risks.

These are general in nature and include: obtaining business on competitive terms, retaining key personnel and market competition. The Group operates a system of internal control and risk management in order to provide assurance that the Board is managing risk whilst achieving its business objectives. No system can fully eliminate risk and therefore the understanding of operational risk is central to the management process.

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

LAND – the inability to source, acquire and promote land would result in the business not being able to generate profit and cash flow for the longer term and accordingly this could have a detrimental effect to the financial position of the Group. The Group has an experienced management team with a strong track record in the industry which should mitigate this risk.

PLANNING – increased complexity and delay in the planning process may impede sales and thus affect the rate of growth of the business. The proposed Community Infrastructure Levy may have a detrimental effect on the supply and pricing of land being marketed by landowners.

MARKET – to realise maximum value in a timely fashion will depend on the state of the property market in the regions in which the Group chooses to operate. A severe fall in the housing market would have an adverse effect on land values and would also effect timing of sales. The Group tries to ensure that its sites are in good locations thus providing some protection against any downturn in the market.

PERSONNEL – the attraction and retention of staff of the highest calibre with appropriate experience is crucial to the growth of the business in the highly competitive markets in which we operate. This is achieved by maintaining a good morale in the work place and setting remuneration packages at attractive levels.

INTEREST RATES – significant upward changes in interest rates could affect residential land prices as the demand for residential property would be affected. It will also lead to increased borrowing costs and thus have a detrimental effect on profit.

ENVIRONMENTAL – the assessment of environmental risk is an important element of the due diligence undertaken when buying land. Unexpected liabilities in respect of decontamination works or fines for environmental pollution could affect the outcome of a project. The Group uses reputable environmental consultancy firms to assist in this area.

REGULATION – changes in legislation, government regulations, planning policies and guidelines may have a detrimental affect to the Group's business.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES
All potential areas of financial risk are regularly monitored and reviewed by Directors and management. Any preventative or corrective measures are taken as necessary.

The Group uses various financial instruments. These include loans, cash and trade receivables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

of the	group
total of the	company
total of the	group
total of the	company

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED
The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below. The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk, credit risk and capital risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

LIQUIDITY RISK
The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

INTEREST RATE RISK
The Group finances its operations through a mixture of equity and bank borrowings. The Group controls the exposure to interest rate fluctuations by ensuring that the level of gearing is maintained at a reasonable level.

CREDIT RISK
The Group's principal financial assets are trade and other receivables, loans to associates and cash and equivalents. The Group trades and deals with counterparties after having considered their credit rating. In certain circumstances the Group may seek additional security.

CAPITAL RISK MANAGEMENT
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital in relation to overall financing. Further information can be found in Note 26 to the financial statements.

DIRECTORS AND THEIR INTERESTS
The Directors of the Company and their respective beneficial interests (including that of their respective families) in the shares of the Company as at 30 June 2010 were as follows:

	As at 30 June 2010	As at 30 June 2009
	Number of ordinary shares	Number of ordinary shares
S D Wicks	22510,009	490
N Malde	10,75,000	392
T Roydon	250,000	—
S Bennett	50,000	—

S D Wicks and N Malde are retiring by rotation in accordance with the Company's Articles of Association and have offered themselves for re-election.

DIRECTORS' EMOLUMENTS
The remuneration of the individual Directors was:

	Salary/fees £000	Benefits £000	Pension £000	2010 Total £000	2009 Total £000
Executive Directors					
S D Wicks	270	27	—	297	319
N Malde	225	26	45	296	315
Non-executive Directors					
T Roydon	30	—	—	30	30
S Bennett	25	—	—	25	25

Directors' report continued

QUALIFYING THIRD PARTY INDEMNITY PROVISION

During the financial year, a qualifying third party indemnity provision for the benefit of all of the Directors was in force.

SUBSTANTIAL SHAREHOLDING

As at 22 October 2010, the Company was aware of the following holdings in addition to those of the Directors discussed above, of 3% or more of the nominal value of the Company's shares:

Name	Shareholding	%
Karoo Investment Fund SCA SICAV SIF	22,700,000	12.40
M H Dixon	14,000,000	7.65
A K Brett	10,500,000	5.74
Henderson Global Investors Limited	10,098,143	5.52
Unique Limited	5,652,329	3.09

EMPLOYEE INVOLVEMENT

The Group places considerable value on the involvement of its employees and keeps them informed of all relevant matters on a regular basis. The Group is an equal opportunities employer and all applications for employment are considered fully on the basis of suitability for the job.

CHARITABLE AND POLITICAL CONTRIBUTIONS

Donations to charitable organisations amounted to £2,000 (2009: £17,000). These donations were made to a number of different charities supporting a broad range of causes. There were no political donations made during the year.

PAYMENT POLICY AND PRACTICE

The Group's policy is for all companies within the Group to agree terms and conditions with their suppliers. Payments are then generally made on the basis of this agreement, providing the suppliers conform with the terms and conditions stipulated. At 30 June 2010 the Group had an average of 60 days' (2009: 52 days') purchases outstanding in trade payables.

CORPORATE GOVERNANCE

The Directors recognise the importance of sound corporate governance and the guidelines set out in the Principles of Good Corporate Governance and Code of Best Practice (the 'Combined Code'). Whilst AIM companies are not obliged to comply with the Combined Code, the Directors intend to comply with the Combined Code so far as is appropriate having regard to the size and nature of the various companies making up the Group. The Board will take such measures so far as considered appropriate for the Group to comply with the Combined Code and in addition, the Quoted Companies Alliance (QCA) Guidelines for AIM Companies.

BOARD COMPOSITION

The Group is managed through its Board of Directors. The Board comprises the Non-executive Chairman, one other Non-executive Director, the Chief Executive and the Finance Director. The Board's main roles are to create value for the shareholders, to approve the Group's strategic objectives and to ensure that the necessary financial and other resources are made available to enable them to meet these objectives.

Specific responsibilities reserved to the Board include: setting Group strategy; reviewing operational and financial performance; approving certain land acquisitions; approving appointments to the Board; and approving policies relating to Directors' and senior management's remuneration. In addition the Board reviews the risk profile of the Group and ensures that an adequate system of internal control is in place.

The roles of the Chairman and the Chief Executive are separate. The Chairman is responsible for running the Board and he meets the Chief Executive and the other Non-executive Director separately as and when required to discuss matters of the Board.

One-third of the Directors retire annually by rotation in accordance with the Company's Articles of Association and this enables the shareholders to decide on the election of their Company's Board.

AUDIT COMMITTEE

The audit committee comprises of Terry Roydon (Chairman) and Simon Bennett. The audit committee meets at least three times a year and is responsible for reviewing the performance of the Group's internal control and financial reporting and for meeting the auditor on their appointment to the audit. The committee also reviews the Group's internal control and financial reporting and some non-audit services, but these are not considered to threaten their independence. The committee reviews the level of non-audit fees on an annual basis. The audit committee meetings are also attended by invitation by representatives of the Group's auditor, the Finance Director and the Chief Executive.

Since 30 June 2009 the audit committee has met four times to consider the planning of the statutory audit and to review the Group's draft half and full year results prior to Board approval and to consider the external auditor's detailed reports thereon.

REMUNERATION COMMITTEE

The remuneration committee consists of Simon Bennett (Chairman) and Terry Roydon. The principal functions of the committee are to determine the Group's policy on the remuneration of the Executive Directors and senior management and to determine the remuneration package of each Executive Director. The committee also determines the allocation of share options to the Executive Directors and other employees. The remuneration committee meetings are also attended by invitation by the Chief Executive.

During the year the committee met once to review the Executive Directors' remuneration package.

The Directors comply with Rule 21 of the AIM Rules relating to Directors' dealings and take all reasonable steps to ensure compliance by the Company's applicable employees. The Company has adopted and operates a share dealing code for Directors and employees in accordance with the AIM Rules.

INTERNAL CONTROLS

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

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

RELATIONS WITH SHAREHOLDERS

The Company has institutional shareholders and is, where practicable, willing to enter into a dialogue with them. The Chief Executive and Finance Director meet with institutional investors within the confines of relevant legislation and guidance.

The Board invites communication from its private investors and encourages participation by them at the Annual General Meeting (AGM). All Board members are present at the AGM and are available to answer questions from shareholders.

INTERNAL AUDIT

The Board reviews from time to time the need for an internal audit function and remains of the opinion that the systems of internal financial control are appropriate to the Group's present activities and that such a function is unnecessary.

GOING CONCERN

The Board has reviewed the performance for the current year and forecasts for the future period. It has also considered the risks and uncertainties, including credit risk and liquidity. The Directors have also considered the current economic climate and in particular the current state of the housing market and its effect on the market for land. The Group has seen an increase in activity in the land market which should improve the prospects of its potential liquidity. The Group entered into a new facility agreement with the Royal Bank of Scotland in May 2010 which is due to expire on 30 June 2011. As stated in the Chairman's Statement, the Group has seen a significant improvement in the demand for land within its portfolio and expects to make sufficient land disposals over the next twelve months to enable the repayment of the facility from Royal Bank of Scotland and provide additional free cash flow.

Directors' report continued

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have to prepare Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare parent company financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Directors is aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

POST BALANCE SHEET EVENTS

There are no events subsequent to the balance sheet date that need to be disclosed.

ANNUAL GENERAL MEETING

The Notice covering the AGM together with the proposed resolutions is contained in the document accompanying this report. The AGM will be held on 25 November 2010.

AUDITOR

A resolution to reappoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the AGM in accordance with Section 487(2) of the Companies Act 2006.

BY ORDER OF THE BOARD

NISHITH MALDE
COMPANY SECRETARY

22 October 2010

Report of the independent auditor to the members of Inland PLC

We have audited the Group financial statements of Inland PLC for the year ended 30 June 2010 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Group Statement of Changes in Equity, the Group Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement in the Directors' Report, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

SEPARATE OPINION IN RELATION TO IFRS

As explained in Note 1 to the Group financial statements, the Group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

OTHER MATTER

We have reported separately on the parent company financial statements of Inland PLC for the year ended 30 June 2010.

JAMES ROGERS
SENIOR STATUTORY AUDITOR
FOR AND ON BEHALF OF GRANT THORNTON UK LLP
STATUTORY AUDITOR, CHARTERED ACCOUNTANTS
SLOUGH
22 October 2010

Group income statement

for the year ended 30 June 2010

Continuing operations	Note	2010		2009	
		Before exceptional costs £000	Exceptional costs (Note 5) £000	Before exceptional costs £000	Exceptional costs (Note 5) £000
Revenue	6	16,542	—	16,542	5,219
Cost of sales		(12,875)	—	(12,875)	(3,798)
Gross profit/(loss)		3,667	—	3,667	(4,013)
Administrative expenses	6	(1,945)	—	(1,945)	(2,024)
Profit/(loss) on investments		321	—	321	(1,689)
Operating profit/(loss)		2,043	—	2,043	(3,798)
Finance cost – interest expense	8	(807)	—	(807)	(491)
Finance cost – notional interest	8	(324)	—	(324)	(847)
Finance income – interest receivable and similar income	9	139	—	139	247
Share of profit/(loss) of associate		1,051	—	1,051	(5,019)
Impairment of investment in associate		—	—	—	(224)
Profit/(loss) before tax	10	1,051	—	1,051	(5,243)
Income tax		141	—	141	137
Profit/(loss) for the year		1,192	—	1,192	(7,584)
Attributable to:					
Equity holders of the Company				1,192	(12,690)
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company during the year					
– basic	11			0.66p	(7.83)p

Diluted earnings per share is taken as equal to basic earnings per share as the Group's average share price during the period is lower than the option exercise price and therefore the effect of including share options is anti-dilutive.

Group statement of comprehensive income

for the year ended 30 June 2010

	Note	2010 £000	2009 £000
Profit/(loss) for the year	21	1,192	(12,690)
Other comprehensive income:			
– loss on available-for-sale financial assets		—	(409)
Other comprehensive income for the year, net of tax	21	—	(409)
Total comprehensive income for the year		1,192	(13,099)

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

Group statement of financial position

at 30 June 2010

	Note	2010 £000	2009 £000
ASSETS			
Non-current assets			
Investment property	12	8,801	8,801
Property, plant and equipment	12	58	81
Investments	13	2,998	250
Investment in associate	13	—	—
Deferred tax	14	4,597	4,456
Total non-current assets		16,456	13,588
Current assets			
Inventories	15	35,151	41,656
Trade and other receivables	16	5,691	3,698
Loan to associate	17	1,895	2,000
Listed investments held for trading (carried at fair value through profit and loss)		131	471
Cash and cash equivalents	19	2,519	72
Total current assets		45,387	47,897
Total assets		61,841	61,485
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	20	18,301	16,216
Share premium account	21	45,806	45,184
Treasury shares	21	(366)	(366)
Retained earnings	21	(19,280)	(15,848)
Other reserves	21	—	(4,806)
Total equity		44,461	40,380
LIABILITIES			
Current liabilities			
Bank loans and overdrafts		9,242	6,566
Trade and other payables	22	2,173	1,923
Other financial liabilities	23	5,965	7,975
Total current liabilities		17,380	16,464
Non-current liabilities			
Other financial liabilities	23	—	4,641
Total non-current liabilities		—	4,641
Total liabilities		17,380	21,105
Total equity and liabilities		61,841	61,485

The financial statements were approved by the Board of Directors on 22 October 2010.

STEPHEN WICKS
CHIEF EXECUTIVE

NISHITH MALDE
FINANCE DIRECTOR

COMPANY NUMBER
548290

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

Group statement of changes in equity

for the year ended 30 June 2010

	Share capital £'000	Share premium £'000	Treasury shares £'000	Retained earnings £'000	Other reserves £'000	Total £'000
At 30 June 2008	16,216	45,184	(346)	(3,317)	(4,397)	53,320
Share-based payment	—	—	—	159	—	159
Transactions with owners	—	—	—	159	—	159
Loss attributable to shareholders	—	—	—	(12,690)	—	(12,690)
Other comprehensive income:						
— fair value adjustment in respect of available-for-sale financial assets	—	—	—	—	(409)	(409)
Total comprehensive income for the year	—	—	—	(12,690)	(409)	(13,099)
At 30 June 2009	16,216	45,184	(346)	(15,848)	(4,806)	40,380
Share-based payment	—	—	—	182	—	182
Issue of equity	2,085	622	—	—	—	2,707
Transactions with owners	2,085	622	—	182	—	2,889
Profit attributable to shareholders	—	—	—	1,192	—	1,192
Available-for-sale financial asset: reclassification to profit or loss	—	—	—	(4,806)	4,806	—
Transactions with owners	—	—	—	(3,614)	4,806	1,192
Total comprehensive income for the year	—	—	—	(2,422)	—	(2,422)
At 30 June 2010	18,301	45,806	(346)	(19,280)	—	44,461

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

Group statement of cash flows

for the year ended 30 June 2010

	2010 €'000	2009 €'000	company note 6 consolidated financial statements
Cash flow from operating activities			
Profit/(loss) for the year before tax			
Adjustments for:			
- depreciation			
- share-based compensation			
- fair value adjustment for listed investments			
- profit on disposal of tangible fixed assets			
- (profit)/loss on disposal of listed investments			
- interest expense			
- interest and similar income			
- share of profit of associate			
- impairment of investment in associate			
- tax received			
Changes in working capital (excluding the effects of acquisition):			
- decrease in inventories			
- increase in trade and other receivables			
- decrease in trade and other payables			
Net cash outflow from operating activities			
Cash flow from investing activities			
Interest received			
Dividends received			
Sale of tangible fixed assets			
Purchases of property, plant and equipment			
Purchases of investments			
Sale of investments			
Net cash outflow/inflow from investing activities			
Cash flow from financing activities			
Interest paid			
Net proceeds on issue of ordinary shares			
Net cash inflow/outflow from financing activities			
Net decrease in cash and cash equivalents			
Net cash and cash equivalents at beginning of period			
Net cash and cash equivalents at the end of period			
Cash and cash equivalents			
Bank loans and overdraft			

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

Notes to the group financial statements

for the year ended 30 June 2010

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Group's IFRS financial statements are set out below.

BASIS OF PREPARATION

The Group financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) as adopted by the EU and as issued by the International Accounting Standards Board.

The accounting policies that have been applied in the opening Statement of Financial Position have also been applied throughout all periods presented in these financial statements. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 30 June 2010.

IAS 1 came into effect in the period. As this was adopted early it has had no impact on these statements. The following new standards are in issue and have had no effect on these statements:

- IFRS 8 Operating Segments;
- IFRS 23 (Revised) Borrowing Costs; and
- IFRS 3 (Revised) Business Combinations.

The adoption of IAS 1 Presentation of Financial Statements (2007) does not affect the financial position or profits of the Company but gives rise to additional disclosures and introduces a statement of comprehensive income. The measurement and recognition of the Company's assets, liabilities, income and expenses is unchanged and so a statement of financial position at the beginning of the earliest comparative period, as required under IAS 1 Presentation of Financial Statements (2007) in some circumstances, has not been presented in this year's financial statements as the position is unchanged from that previously published.

STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

- IFRS 9 Financial Instruments (effective 1 January 2013);
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011);
- Group Cash-settled Share-based Payment Transactions – Amendment to IFRS 2 (effective 1 January 2010);
- Improvements to IFRSs 2009 (various effective dates earliest of which is 1 July 2009, but mostly 2010);
- Amendment to IFRS 1 Additional Exemptions for First-time Adopters (effective 1 January 2010);
- Amendment to IAS 32 Classification of Rights Issues (effective 1 February 2010);
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010);
- Pre-payments to a Minimum Funding Requirement – Amendments to IFRIC 14 (effective 2011); and
- Improvements to IFRS issued May 2010 (some changes effective 1 July 2010, others effective 1 January 2011).

None of these standards will have an impact on the Group's financial statements.

BASIS OF CONSOLIDATION

The Group's financial statements consolidate the financial statements of the Company and all of its subsidiary undertakings drawn up to 30 June 2010. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

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

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

GOING CONCERN

The Board has reviewed the performance for the current year and forecasts for the future period. It has also considered the risks and uncertainties, including credit risk and liquidity. The Directors have also considered the current economic climate and in particular the current state of the housing market and its effect on the market for land. The Group has seen an increase in activity in the land market since November 2009 and has a number of land sales being discussed with potential purchasers which will continue to improve its liquidity. The Group entered into a new facility agreement with the Royal Bank of Scotland in May 2010 which is due to expire on 30 June 2011. As stated in the Chairman's Statement the Group has seen a significant improvement in the demand for land within its portfolio and expects to make sufficient land disposals over the next twelve months to enable the repayment of the facility from Royal Bank of Scotland and provide additional free cash flow for the future.

GROUP
INVESTMENT DIVISION
GROUP OF SUBSIDIARIES
GROUP
COUNTRY
ratio of fixed assets/moving

1. ACCOUNTING POLICIES CONTINUED

ASSOCIATES

Associates are those entities over which the Group has significant influence through Board representation but which are neither subsidiaries nor joint ventures. Investments in associates are recognised initially at cost and subsequently accounted for using the equity method. Acquired investments in associates are also subject to purchase method accounting. However, any goodwill or fair value adjustment attributable to the share in the associate is included in the amount recognised as investment in associates.

All subsequent changes to the share of interest in the equity of the associate are recognised in the Group's carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are reported in 'share of profits of associates' in the Group Income Statement and therefore affect net results of the Group. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of assets and liabilities.

Items that have been recognised directly in the associate's equity are recognised in Other Comprehensive Income. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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

REVENUE

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

SALE OF LAND

Revenue from the sale of land is recognised when all the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods which is generally when contracts have been completed;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the land sold which is generally when the contract has been completed;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

SALE OF RESIDENTIAL UNITS

Turnover is recognised on legal completion, which is generally when the title passes.

INTEREST

Interest is recognised using the effective interest method which calculates the amortised cost of a financial asset and allocates the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

RENTAL INCOME

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

DIVIDENDS

Dividends are recognised when the shareholders' right to receive payment is established.

EXCEPTIONAL ITEMS

Exceptional items are material items which derive from events or transactions that fall within the ordinary activities of the Group and which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the financial statements are to give a fair presentation.

PROPERTY, PLANT AND EQUIPMENT

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

DISPOSAL OF ASSETS

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the income statement. The gain or loss arising from the sale or revaluation of held for sale assets is included in 'other income' or 'other expense'. Any revaluation surplus remaining in equity on disposal of the asset is transferred to the profit and loss reserve.

Notes to the group financial statements continued

for the year ended 30 June 2010

1. ACCOUNTING POLICIES CONTINUED

DEPRECIATION

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

Fixtures and fittings	-	25%
Office equipment	-	25%
Motor vehicles	-	25%
Leasehold property	-	over the term of the lease

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

INVESTMENT PROPERTY

Investment properties are accounted for using the cost model. Investment properties are revalued annually and are included in the Group Statement of Financial Position at their open market values. Any gain or loss resulting from the sale of an investment property is immediately recognised in profit or loss. An investment property shall be derecognised on disposal, or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

INVENTORIES

Inventories consist of land and work-in-progress and valued at the lower of cost and net realisable value. Net realisable value is estimated based upon the future expected selling price, less estimated costs to sell.

IMPAIRMENT TESTING OF PROPERTY, PLANT AND EQUIPMENT

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognised in the Group Income Statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

DEFERRED TAXATION

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

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Temporary differences include those associated with shares in subsidiaries and joint ventures unless reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the year end date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Group Income Statement except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land not included in inventories) or directly in equity in which case the related deferred tax is also recognised in other comprehensive income or equity respectively.

LEASED ASSETS

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

GROUP
INVESTMENT PROPERTIES
LOANS AND RECEIVABLES
GROUP
COMPANY
Notes to financial statements

1. ACCOUNTING POLICIES CONTINUED

EMPLOYEE BENEFITS

DEFINED CONTRIBUTION PENSION SCHEME

The pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period.

EQUITY-SETTLED SHARE-BASED PAYMENT

All share-based payment arrangements are recognised in the Group financial statements.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values using the Black-Scholes options pricing model. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All equity-settled share-based payments are ultimately recognised as an expense in the Group Income Statement with a corresponding credit to retained earnings.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

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

FINANCIAL ASSETS

Financial assets are divided into the following categories: loans and receivables; financial assets at fair value through profit or loss; and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired.

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets other than those categorised as at fair value through profit and loss are initially recognised at fair value plus finance costs. Financial assets categorised as at fair value through profit or loss are recognised initially at fair value with transaction costs expensed through the Group Income Statement.

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity as available-for-profit or held for sale upon recognition. Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in the fair value recorded in the Group Income Statement. Financial assets originally designated as financial assets at fair value through profit or loss may not be re-classified subsequently.

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's available-for-sale financial assets include listed securities.

All other financial assets within this category are subsequently measured at fair value with changes in value recognised in equity. Gains and losses arising from financial instruments classified as available-for-sale are initially recognised in Other Comprehensive Income then re-cycled to profit or loss when they are sold or when the investment is impaired.

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

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

Regular way purchases and sales are accounted for on trade date.

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

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

Notes to the group financial statements continued

for the year ended 30 June 2010

1. ACCOUNTING POLICIES CONTINUED

FINANCIAL LIABILITIES

Financial liabilities are obligations to pay cash or other financial assets, and are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities categorised as at fair value through profit or loss are recorded initially at fair value, all transaction costs are recognised immediately in the Group Income Statement. All other financial liabilities are recorded initially at fair value, net of direct issue costs.

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

Financial liabilities are categorised as at fair value through profit or loss where they are classified as held-for-trading or designated as at fair value through profit or loss on initial recognition (including deferred purchase consideration). Financial liabilities are designated as at fair value through profit or loss where they eliminate or significantly reduce a measurement (or recognition) mismatch.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

DIVIDENDS

Dividend distributions payable to equity shareholders are included in 'other short term financial liabilities' when the dividends are approved in general meeting prior to the year end date.

EQUITY

An equity instrument is a contract which evidences a residual interest in the assets after deducting all liabilities. Equity comprises the following:

- Share capital' represents the nominal value of equity shares;
- Share premium' represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue;
- Treasury shares' represent the purchase of the Company's own shares and are deducted from total equity as treasury shares until they are sold or cancelled where such shares are subsequently sold or re-issued, any consideration received is included in total equity;
- Other reserves' represent amounts written off relating to available-for-sale financial assets through equity; and
- Profit and loss reserve' represents retained profits.

2. FINANCIAL RISK MANAGEMENT

FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: credit risk; liquidity risk; cash flow risk; and fair value interest-rate risk. The Group's overall risk management programmes focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out centrally under policies approved by the Board of Directors.

(A) CREDIT RISK

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the year end date, as summarised below:

	2010 £'000	2009 £'000
Classes of financial assets – carrying amounts		
Listed investments held for trading	131	471
Loan to associate	1,895	2,000
Cash and cash equivalents	2,519	72
Trade and other receivables	5,491	3,498
	10,236	6,241

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

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality.

Some of the Group's financial assets are secured by collateral.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality credit ratings.

OF THE GROUP'S FINANCIAL STATEMENTS
GROUP
CENTURY
ratio of price/earnings ratio

2. FINANCIAL RISK MANAGEMENT CONTINUED

FINANCIAL RISK FACTORS CONTINUED

(B) LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash balances and ensuring availability of funding through an adequate amount of credit facilities. The Group aims to maintain flexibility in funding by keeping credit lines available. The Group also purchases property under deferred consideration arrangements.

(C) CASH FLOW AND FAIR VALUE INTEREST RATE RISK

The Group's cash flow interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. All the Group's borrowings are at variable rates but the Group does not consider the risk to be significant.

(D) PRICE RISK

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the Group Statement of Financial Position either as available-for-sale or at fair value through profit or loss.

For the listed equity securities, an average volatility of 3% has been observed during the year ended 30 June 2010. If the quoted stock price of these securities had increased or decreased by that amount, the net result for the year would have been increased/reduced by £4,000 (2009: £71,000). Equity would have changed by £4,000 (2009: £71,000). The average volatility has been derived by using the movement in the share prices of the underlying securities at each month end and taking the average across all the securities.

The investments in listed equity securities that are held as available-for-sale financial assets are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments.

3. SEGMENT INFORMATION

PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS

At 30 June 2010, the Group is organised into one business segment in one geographical area consequently there is no segmental information presented in these Group financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

CRITICAL ACCOUNTING ESTIMATES

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(A) VALUATION OF INVENTORIES

In applying the Group's accounting policy for the valuation of inventories the Directors are required to assess the expected selling price and costs to sell each of the plots or units that constitute the Group's landbank and work in progress. Estimation of the selling price is subject to significant inherent uncertainties, in particular the prediction of future trends in land market values.

Whilst the Directors exercise due care and attention to make reasonable estimates taking into account all available information in estimating the future selling price, the estimates will, in all likelihood, differ from the actual selling prices achieved in future periods and these differences may, in certain circumstances, be very significant. The critical judgement in respect of planning consent (see below) further increases the level of estimation uncertainty in this area.

(B) INCOME TAXES

The Group recognises tax/deferred tax assets and liabilities for anticipated tax based on estimates of when the tax/deferred tax will be paid or recovered. When the final outcome of these matters is different from the amounts initially recorded, such differences impact the period in which the determination is made.

(C) FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The fair value of instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing.

(D) INVESTMENT PROPERTIES

Properties are classified as investment properties if there are significant rentals and the intention is to hold those properties for a significantly longer time than inventory property.

(E) DISCOUNTING DEFERRED CONSIDERATION OF INVENTORIES

The Group discounts deferred consideration of inventories by discounted cash flow method.

CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

INVENTORIES

The Group values inventories at the lower of cost and net realisable value. The net realisable value is based on the judgement of the probability that planning consent will be given for each site. The Group believes that, based on the Directors' experience, planning consent will be given. If planning consent was not achieved then a provision would be required against inventories.

5. EXCEPTIONAL COSTS

The Group conducted a review of the net realisable value of its landbank in view of the depressed UK housing market. Where the estimated future net realisable value of the site is less than its carrying value within the Statement of Financial Position, the Group has impaired the land value. This has resulted in an impairment of £0.2m (2009: £3.798m) which the Directors do not consider to be exceptional.

Notes to the group financial statements continued

for the year ended 30 June 2010

4. EXPENSES BY NATURE

	2010 £000	2009 £000
Depreciation (Note 12)	34	34
Operating lease rentals	63	47
Auditor's remuneration:		
– audit	35	33
– non-audit	31	9
Cost of sales	12,875	9,232
Other expenses	1,782	1,901
Total	14,820	11,256
Classified as:		
– cost of sales	12,875	9,232
– administrative expenses	1,945	2,024
	14,820	11,256

Included within Revenue is rental income from investment property of £663,000 (2009: £667,000).

7. DIRECTORS AND EMPLOYEES

The employee benefit expense during the year was as follows:

	2010 £000	2009 £000
Wages and salaries	1,020	1,032
Social security costs	126	126
Pension costs – defined contribution plans	71	71
	1,217	1,229

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

	2010 Number	2009 Number
Management	3	3
Administration	8	8
	11	11

Remuneration in respect of Directors was as follows:

	2010 £000	2009 £000
Emoluments	548	597
Fees	55	55
Pension costs – defined contribution plans	45	48
Share-based payment	136	136
	784	826

During the year one Director participated in a money purchase pension scheme.

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

	2010 £000	2009 £000
Emoluments	297	319
Share-based payment	75	75
	372	394

7. DIRECTORS AND EMPLOYEES CONTINUED

Remuneration in respect of key personnel in addition to the Directors was as follows:

	2010 £000	2009 £000
Emoluments	180	238
Pension costs – defined contribution plans	17	15
Share-based payment	13	23
	210	276

8. FINANCE COST

	2010 £000	2009 £000
Interest expense:		
– bank borrowings	297	491
– deferred land payments	145	–
– costs associated with arrangement of new facilities	365	–
– notional interest on deferred consideration	324	847
	1,131	1,338

9. FINANCE INCOME

	2010 £000	2009 £000
Effective interest on loan stock	–	7
Other interest receivable	138	208
Bank interest receivable	1	13
Dividends receivable from listed investments	–	19
	139	247

10. INCOME TAX

	2010 £000	2009 £000
Corporation tax charge	–	–
Adjustments in respect of prior year	–	–
Tax credit on associate's loss	–	(62)
Deferred tax (credit)/charge	(141)	2,285
	(141)	2,223

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

	2010 £000	2009 £000
Profit/(loss) before tax	1,051	(10,467)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009: 28%)	294	(2,931)
Expenses not deductible for tax purposes	28	19
Non-utilisation of tax losses	–	2,775
Utilisation of tax losses	(445)	–
Previous losses no longer expected to be utilised	–	2,360
Losses not recognised	2	–
Tax (credit)/charge	(141)	2,223

Notes to the group financial statements continued

for the year ended 30 June 2010

11. EARNINGS/(LOSS) PER SHARE

The earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2010	2009
Profit/(loss) attributable to equity holders of the Company (£000)	1,192	(12,690)
Weighted average number of ordinary shares in issue ('000)	174,965	162,150
Basic earnings/(loss) per share in pence	0.68p	(7.83)p

Diluted earnings per share is taken as equal to basic earnings per share as the Group's average share price during the period is lower than the option exercise price and therefore the effect of including share options is anti-dilutive.

12. PROPERTY, PLANT AND EQUIPMENT

	Investment property £000	Leasehold property £000	Motor vehicles £000	Fixtures and fittings £000	Office equipment £000	Total £000
Cost						
At 30 June 2008	8,801	—	61	37	32	130
Disposals	—	—	(27)	—	—	(27)
Additions	—	—	15	—	24	39
At 30 June 2009	8,801	—	49	37	56	142
Additions	—	5	—	1	5	11
At 30 June 2010	8,801	5	49	38	61	153
Depreciation						
At 30 June 2008	—	—	13	14	16	43
Depreciation charge	—	—	16	9	9	34
Disposals	—	—	(16)	—	—	(16)
At 30 June 2009	—	—	13	23	25	61
Depreciation charge	—	1	12	9	12	34
At 30 June 2010	—	1	25	32	37	95
Net book value						
At 30 June 2008	8,801	4	24	6	24	58
At 30 June 2009	8,801	—	36	14	31	81
At 30 June 2008	8,801	—	48	23	16	87

All freehold property is stated at valuation.

The investment property was valued by Edward Symmons & Partners in August 2006 in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. Investment property continues to be held by the Group for long-term investment. The property is recorded as an investment property and is valued on a deemed cost basis by the Directors at £8,801,000. The investment property is not depreciated.

The historical cost of the investment property at 30 June 2010 as noted in Poole Investments plc's financial statements is £1,252,000 (2009: £1,252,000).

13. INVESTMENTS

	Associate £000	Equity in convertible loans £000	Convertible loan at fair value £000	Option £000	Investment in joint venture £000	Total £000
Cost or fair value						
At 30 June 2008	756	39	786	—	—	825
Notional interest adjustment	—	—	7	—	—	7
Share of loss of associate	(142)	—	—	—	—	—
Impairment of investment in associate	(594)	(39)	(793)	—	—	(832)
Additions	—	—	—	250	—	250
At 30 June 2009	—	—	—	250	—	250
Additions	—	—	—	250	2,269	2,519
Fair value adjustment	—	—	—	229	—	229
At 30 June 2010	—	—	—	479	2,269	2,748
Net book value						
At 30 June 2010	—	—	—	729	2,269	2,998
At 30 June 2009	—	—	—	250	—	250

In December 2005, Inland PLC invested £200,000 in its associate, Howarth and in return received ordinary shares amounting to 10% of the issued share capital of Howarth. In January 2008, Inland PLC made a further investment of £357,000 in Howarth to increase its interest to 15% of the issued share capital of Howarth. Inland PLC also subscribed for £800,000 convertible loan stock which was converted on 31 July 2009 into 864,583 ordinary shares, thus increasing Inland's interest to 33% of the issued share capital of Howarth. A provision of £1,426,000 was made against the equity investment in Howarth and the convertible loan stock during the year ended 30 June 2009.

On 18 December 2008, Inland entered into an Option and Development Services Agreement with Drayton Garden Village Limited (DGVL) which granted Inland Homes Limited an option for a consideration of £250,000 to purchase the share capital of DGVL at an exercise price of £1. The initial period of the option was for one year from the date of the agreement and this can be extended on up to four occasions to a maximum period of ten years by making further payments. During the year ended 30 June 2010, the option period was extended by a further period of one year in consideration of a payment of £250,000. In accordance with the Group's accounting policy for financial assets, the option has been measured at fair value at 30 June 2010 which resulted in a fair value adjustment of £229,000 that has been recognised in the Group Income Statement.

During the year ended 30 June 2010, the Group entered into a joint venture with Howarth for the development of 51 units at a site in Croxley Green, Hertfordshire and has invested £2,269,000. The Group's profit share is broadly expected to be 50% of the development profit.

At 30 June 2010 the Company held or potentially held 10% or more of the equity of the following:

Company name	Country of registration	Principal activity	Holding	Class of shares
Inland Homes Limited	England & Wales	Real estate development	100%	Ordinary
Poole Investments plc	England & Wales	Real estate investment	100%	Ordinary
Inland Housing Limited	England & Wales	Real estate development	100%	Ordinary
Inland Finance Limited	England & Wales	Provision of alternative finance	100%	Ordinary
Howarth Homes plc	England & Wales	Housebuilder	33%	Ordinary

The Group's share of the results and its share of assets of its associate are as follows:

Name	Country of incorporation	Assets £000	Liabilities £000	Revenue £000	Loss after tax £000	% held
Howarth Homes plc	England & Wales	7,022	6,612	—	—	33

The financial statements of Howarth are prepared to 31 July each year. The Group has used the management accounts of Howarth to 30 June 2010 to account for its share of results.

Notes to the group financial statements continued

for the year ended 30 June 2010

14. DEFERRED TAX

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

	£000
At 1 July 2009	4,456
Income statement credit	16.1
At 30 June 2010	4,597

The movement in deferred tax assets is as follows:

	Accelerated tax depreciation £000	Losses £000	Other £000	Total £000
At 1 July 2009				
Credited/(charged) to income statement	(4)	3,384	876	4,456
At 30 June 2010	(71)	3,412	992	4,597

The deferred tax asset is recoverable as follows:

	2010 £000	2009 £000
Deferred tax asset to be recovered after twelve months	4,597	4,456
Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of £5,800,000 (2009: £8,223,000) that can be carried forward against future taxable income.		

15. INVENTORIES

	2010 £000	2009 £000
Stock and work in progress	35,151	41,656

During the year a total of £12,747,000 (2009: £9,232,000) of inventories was included in the Group Income Statement as an expense.

The Group conducted a review of the net realisable value of the carrying values of its land. Where the estimated net present realisable value of the site was less than its carrying value within the Group Statement of Financial Position, the Group has impaired the land values. This has resulted in an impairment of £200,000 (2009: exceptional impairment £3,798,000). Included in the value of inventories above is £15.1m (2009: £20.0m) which is carried at fair value less costs to sell (net realisable value). The amount of inventories pledged as security against borrowings and instalments due on land is £34.8m (2009: £41.7m).

16. TRADE AND OTHER RECEIVABLES

	2010 £000	2009 £000
Prepayments and accrued income	976	92
Other receivables	4,715	3,606

The carrying value of trade and other receivables is considered a reasonable approximation of fair value. No trade receivables are considered to be impaired. There were no unimpaired trade receivables that are past due at the reporting date.

Other receivables includes an amount of £4.2m accrued in respect of costs that will be reimbursed by a customer. The carrying value is considered a reasonable approximation of fair value.

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

17. LOAN TO ASSOCIATE

	2010 £000	2009 £000
Advances to associate	1,895	2,000

The Company has granted a secured rolling facility of up to £2,000,000 to its associate.

GROUP	GROUP
GROUP	GROUP
GROUP	GROUP

18. LISTED INVESTMENTS HELD FOR TRADING

	£000
At 1 July 2009	471
Additions	197
Sales:	
– proceeds	(628)
– realised gains	61
Unrealised gains	30
At 30 June 2010	131

19. CASH AND CASH EQUIVALENTS

	2010 £000	2009 £000
Cash at bank and in hand	2,519	72

The Group has a revolving facility of £8m secured by way of a debenture and legal charges over some of its property assets.

20. SHARE CAPITAL

	2010 £000	2009 £000
Authorised	23,999	23,999
239,990,000 (2009: 239,990,000) ordinary shares of 10p each		
1,000 (2009: 1,000) redeemable shares of £1 each	1	1
	24,000	24,000

Allotted, issued and fully paid

	2010 £000	2009 £000
182,995,484 (2009: 162,150,079) ordinary shares of 10p each	18,300	16,215
980 (2009: 980) redeemable shares of £1 each	1	1
180 (2009: 180) deferred shares of 10p each	18,301	16,216

The redeemable shares are not entitled to receive any dividends and carry one vote per share in general meetings. On a return of capital, the holders of redeemable shares will receive £1.00 per share unless the conditions described below are met, in which event the entitlement of holders of redeemable shares will be enhanced as described below.

In the event that (i) the return to holders of ordinary shares (calculated as dividends received, together with the increase in share price over 50p exceeds 10% per annum compounded annually); and (ii) the relevant holder of redeemable shares has not voluntarily ceased to be employed by or engaged to provide services to the Company or any Group company or been dismissed for cause then the following provisions will apply:

- (i) on a takeover (including a takeover effected by a scheme of arrangement) the holders of the redeemable shares will become entitled to redeem their shares at a price which is calculated so as to attribute to the redeemable shares the difference between the takeover offer price per share and 35p (or such other sum as is agreed with HM Revenue & Customs) multiplied by 11,123,494; or
- (ii) on a winding up, the assets attributable to the redeemable shares will likewise be calculated to be such amount as would represent the difference between the amount attributable to each ordinary share and 35p (or such other sum as is agreed with HM Revenue & Customs) multiplied by 11,123,494.

According to the Company's Articles of Association, the redeemable shares can convert into deferred shares of 10p each. The deferred shares shall not confer the right to be paid a dividend or to receive notice of or attend or vote at a general meeting. On a winding up, after the distribution of the first £10,000,000 of the assets of the Company, the holders of the deferred share (if any) shall be entitled to receive an amount equal to the nominal value of such deferred shares pro rata to their respective holdings.

On 9 July 2009, the Company issued 5,280,000 ordinary shares of 10p each at a price of 10p per share. On 30 July 2009, the Company issued 7,385,000 ordinary shares of 10p each at a price of 10p per share. On 24 May 2010, the Company issued 8,184,405 ordinary shares of 10p each at a price of 18.5p per share. All issued shares are fully paid.

Notes to the group financial statements continued

for the year ended 30 June 2010

20. SHARE CAPITAL CONTINUED

10. SHARE CAPITAL CONTINUED

	9 July 2009	30 July 2009
SD Wicks	1,000,000	85,000
NN Malde	1,000,000	—
TR Roydon	100,000	—
	2,100,000	85,000

The Company operates an unapproved share option scheme. Awards under each scheme are made periodically to employees.

The Company has used the Black-Scholes-Merton formula to calculate the fair value of outstanding options and deferred shares. The Company operates an unapproved share option scheme. Awards under each scheme are made periodically to employees.

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

	Share options 2009/10 grant	Share options 2014/77 grant	Redeemable shares
Expected life of options based on options exercised to date	3 years	3 years	5 years
Volatility of share price	62%	30%	30%
Dividend yield	0%	0%	0%
Risk free interest rate	2.11%	5.38%	5.38%
Share price at date of grant	16.5p	50.0p	35.0p
Exercise price	16.5p	50.0p	35.0p
Fair value per option	£0.05	£0.08	£0.07

The charge calculated for the year ended 30 June 2010 is €182,000 with a corresponding deferred tax asset at that date of €51,000.

Volatility was assessed over the period since the shares have been listed.

A reconciliation of option movements over the year ended 30 June 2010 is shown below:

	Exercise price 00s	Exercise price
Outstanding at 30 June 2009	840	50.0p
Granted during the year	830	14.5p
Outstanding at 30 June 2010	1,690	
Exercisable at 30 June 2010	860	50.0p

There were 830,000 options granted during the year.

At 30 June 2010 outstanding options granted over 10p ordinary shares were as follows:

Share option scheme	Option price	Number	Dates exercisable
Company approved	50.0p	860,000	28 March 2010 to 27 March 2017
Company unapproved	16.5p	830,000	17 December 2012 to 16 December 2019

21. MOVEMENT ON RESERVES

	Share premium £000	Treasury shares £000	Profit and loss account £000	Other reserves £000
At 1 July 2019	45,184	(366)	(15,848)	(4,806)
Profit for the year	—	—	1,192	—
Share-based compensation	—	—	182	—
Available-for-sale financial assets – reclassification to profit or loss	—	—	(4,806)	4,806
Shares issued during the year	622	—	—	—
At 30 June 2010	45,806	(366)	(19,280)	—

year	
corporate governance	
national standards	
group	
company	
system of internal control	

22. TRADE AND OTHER PAYABLES

	2010 €'000	2009 €'000
Trade payables	1,210	819
Other creditors	271	—
Social security and other taxes	213	195
Accruals and deferred income	479	909
	2,173	1,023

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

23. OTHER FINANCIAL LIABILITIES

	2010 €'000	2009 €'000
Deferred purchase consideration on inventories falling due within one year	5,965	7,975
Deferred purchase consideration on inventories falling due: — between one and two years	—	4,641
	5,965	12,616

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs.

Flexibility is achieved by bank loans and overdraft facilities.

A first charge on property included within inventories has been granted to some of the vendors.

24. CONTINGENCIES

24. CONTINGENCIES
The Group has the following contingent liabilities:

- a) upon the sale of an investment property, a payment of £500,000 is due to two parties;
 - b) to effect the undertaking, Poole Investments plc, arranged insurance to limit the exposure to potential tax warranties, given to satisfy the disposal of former subsidiaries in May 2004, to £500,000. The expiry date for claims to be received relating to tax warranties given is 31 March 2011;
 - c) a subsidiary undertaking, Poole Investments plc, ceased to participate in its operating subsidiary's pension scheme when it disposed of former subsidiaries in May 2004. The scheme continues to be funded by the former subsidiaries. No liability to the scheme exists other than in the event of a winding up of the scheme or the insolvency of the scheme's principal employer. In either case, the subsidiary will be liable for a proportionate share of the cost of securing the liabilities of the scheme pertaining only to its seven former employees;
 - d) Inland PLC has guaranteed all of the obligations of Inland Homes Limited to the Secretary of State for Defence in respect of the purchase of the site at Queensgate, Farnborough. At the year end the outstanding deferred consideration payment due in relation to this site was £0m;
 - e) Inland PLC has guaranteed the obligations of Howarth Homes plc to Investor Bank plc in respect of cost and interest overruns in relation to the borrowings of the joint venture with Howarth for the site at Croxley Green, Hertfordshire. The potential exposure is limited to £1m; and
 - f) Inland PLC has guaranteed any shortfall of interest payable by Inland Housing Limited in respect of borrowings relating to the subsidiary undertakings developments at Byfleet and Farnborough. In the Director's opinion there is unlikely to be any such shortfall.
- provisions have been made in these financial statements in respect of these contingent liabilities.

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

25. COMMITMENTS

The Group leases an office and some plant and machinery under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Expiring in one year	2010	2009
Expiring after two years and within five years	£000	£000
	—	2
	267	344

The rental contract for the office building rented since 28 April 2009 at 2 Anglo Office Park, 67 White Lion Road, Amersham HP7 9EB has a non-cancellable term of five years.

Notes to the group financial statements continued

for the year ended 30 June 2010

2A. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders.

The Group monitors capital on the basis of the carrying amount of the equity less cash and cash equivalents as presented on the face of the Group Statement of Financial Position.

The movement in the capital to overall financial ratio is shown below.

The 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.

	2010 £000	2009 £000
Equity	44,461	40,380
Less: cash and cash equivalents	(12,519)	(72)
Capital	41,942	40,308
Equity	44,461	40,380
Borrowings	9,242	6,566
Overall financing	53,703	46,946
Capital to overall financing	76.1%	85.9%

27. FINANCIAL ASSETS AND LIABILITIES

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

	2010 £000	2009 £000
Financial assets		
Listed investments held for trading	18	471
Loans and receivables		
Loan to associate	17	1,895
Trade and other receivables	16	4,715
Cash and cash equivalents	19	2,519
	9,129	5,678
Financial liabilities		
Financial liabilities designated at fair value through profit or loss:		
– current borrowings		
Financial liabilities measured at amortised cost		
Non-current liabilities:		
– other financial liabilities	23	—
Current:		
– trade and other payables	22	1,494
– other financial liabilities	23	5,965
	7,459	8,989

The fair values are presented in the related notes.

Current borrowings are principally amounts drawn under a revolving credit facility of £8.0m and a loan facility of £4.2m. The borrowings are secured against the Group's inventories (see Note 15) and the investment property. Interest is charged at between 3% and 6% above LIBOR or base rate. The revolving credit facility expires on 30 June 2011 and the loan facility is due for repayment by 31 July 2011.

GROUP OVERALL FINANCIAL RATIO OF 30 JUNE 2010
GROUP
Ratio of assets (gross) to equity

27. FINANCIAL ASSETS AND LIABILITIES CONTINUED

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

	2010	2009
	Trade and other payables £000	Deferred purchase price £000
Less than one year	2,173	6,000
Between one and two years	—	1,923
		7,975
	2,173	6,000
		1,923
		12,975

The Group adopted the amendments to IFRS 7 Improving Disclosures about Financial Instruments effective from 1 January 2009.

These amendments require the Group to present certain information about financial instruments measured at fair value in the Statement of Financial Position. In the first year of application comparative information need not be presented for the disclosures required by the amendment. Accordingly, the disclosure for the fair value hierarchy is only presented for the 30 June 2010 year end.

The following table presents financial assets and liabilities measured at fair value in the Statement of Financial Position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

30 June 2010	Note	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Assets					
Listed securities and debentures	27(A)	131	—	—	131
Liabilities					
Net fair value		131	—	—	131

(A) LISTED SECURITIES AND DEBENTURES

All the listed equity securities and debentures are denominated in sterling and are publicly traded in the United Kingdom. Fair values have been determined by reference to their quoted mid prices at the reporting date.

Notes to the group financial statements continued

for the year ended 30 June 2010

28. RELATED PARTY TRANSACTIONS

As at 30 June 2010, there was an amount due from Howarth amounting to £1,895,000. This is included within loan to associate and is in respect of a revolving priority loan facility provided to Howarth on a maximum balance of £2,000,000. The balance outstanding at the year end of 48% share the National Westminster Bank plc loan. The interest is paid from Howarth for the year ended 30 June 2010 amounting to £141,000. The amount of interest outstanding at the year end was £19,000 and this amount is included in trade and other receivables.

In August 2009, the Group purchased a parcel of land at Farnborough from Howarth for £800,000.

During the year ended 30 June 2010, Howarth carried out construction work on sites owned by the Group. The total amount charged on an arm's length basis by Howarth for this work was £2,107,000.

During the year the Group entered into a joint venture with Howarth for the development of 51 units at a site in Croxley Green, Hertfordshire. At 30 June 2010 the Group had invested £2,267,000. The Group's profit share is broadly expected to be 50% of the development profit.

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

	2010 £000	2009 £000
Net assets	83	—
Net result	—	—

From 1 July to 1 September 2009 the Group incurred fees from SLR Consulting Limited (an environmental consultancy) of £40,500 (2009: £114,000). The company is related by the fact that Mr N Malde was a director of its parent company, SLR Holdings Limited, until his resignation on 1 September 2009.

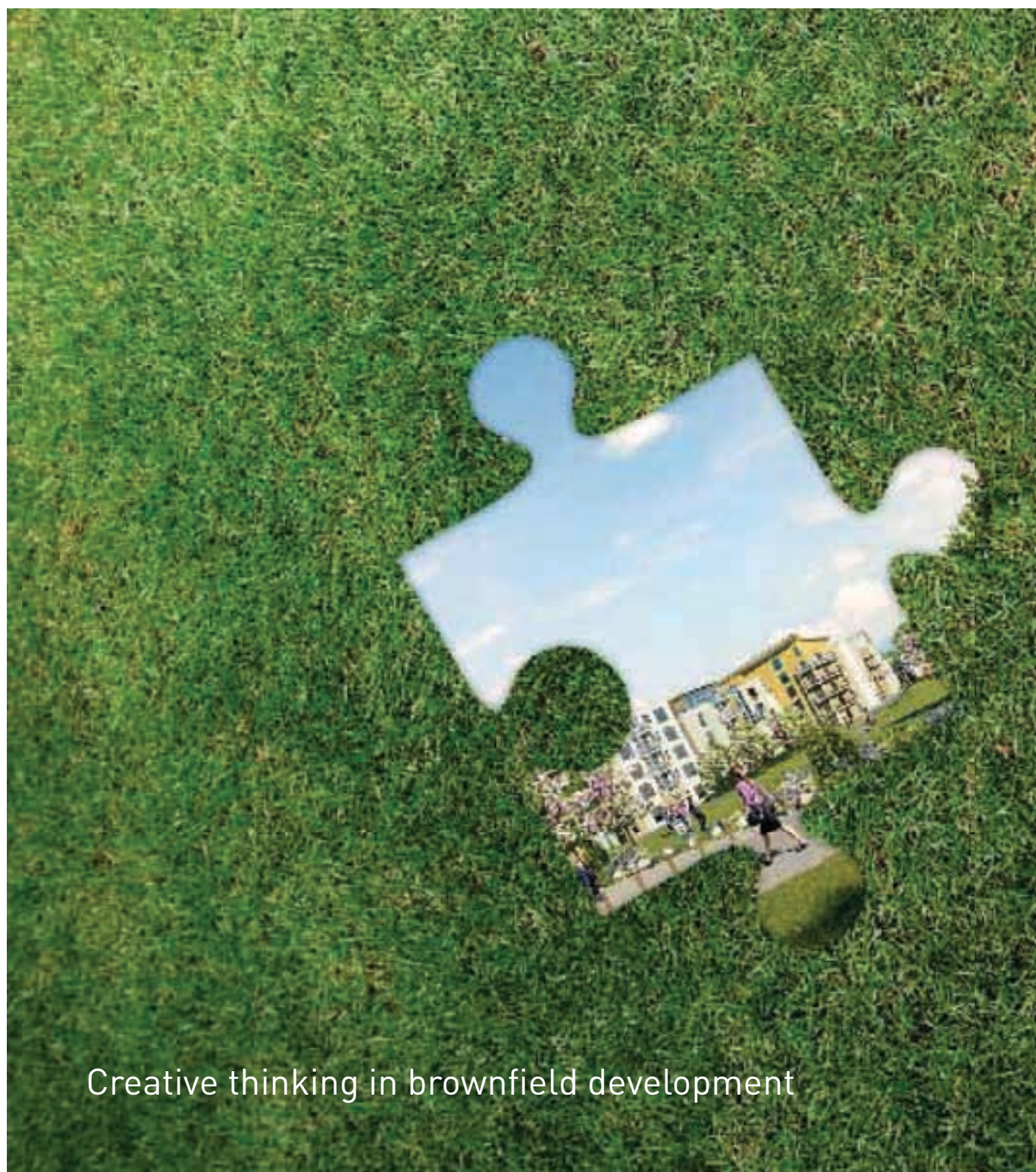
29. COMPANY INFORMATION

The Company is a public limited company registered in England and Wales. The registered office and principal place of business is 2 Anglo Office Park, 67 White Lion Road, Amersham, Buckinghamshire HP7 9FB.

The principal activity of the Group is to acquire residential and mixed use sites and seek planning consent for development.



ANNUAL REPORT AND ACCOUNTS 2011



OVERVIEW	CORPORATE GOVERNANCE	COMPANY FINANCIAL STATEMENTS
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04 Ensuring our solutions meet local needs	GROUP FINANCIAL STATEMENTS	49 Notes to the company financial statements
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Inland plc is a leading brownfield regeneration specialist. We specialise in buying brownfield sites and enhancing their value through obtaining planning permissions for residential and mixed use developments.

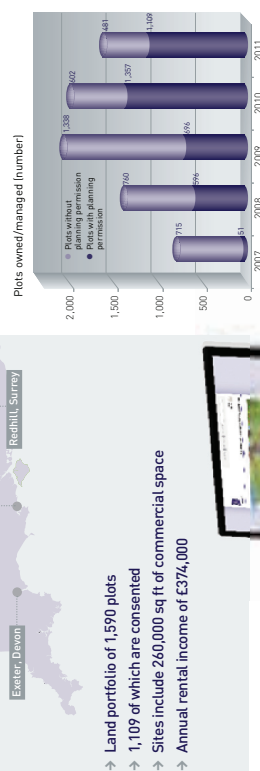
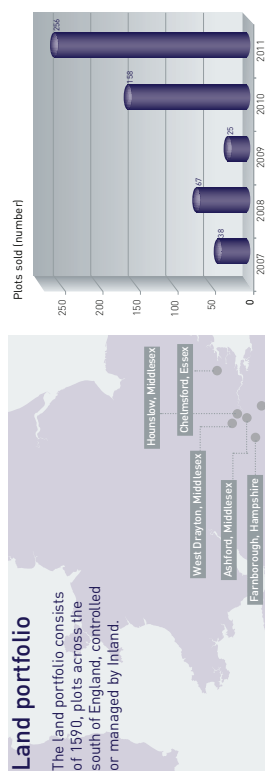
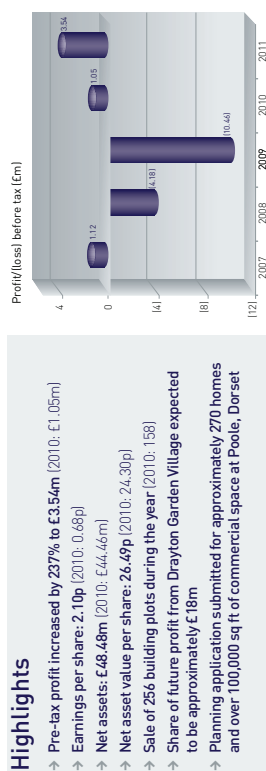
Inland's highly experienced land team has extensive knowledge of the complexities of the planning system which in turn enables it to unlock added value in property that others cannot.

We recognise the significant impact our activities can have on the environment and the communities in which we work.

We believe that managing these activities responsibly brings long term benefits to our shareholders as well as our other stakeholders.

At the heart of our business is the principle of sustainability – the need to conserve scarce resources for the benefit of future generations.

Sustainability is at the heart of everything we do.



For more information about Inland visit www.inlandplc.com

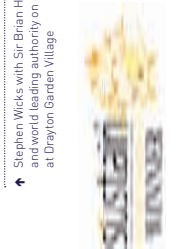


OVERVIEW continued

The on-site district heating network will play a major role in reducing the carbon footprint for the overall development. Stephen Wicks, Chief Executive of Inland plc said "We are delighted the development received this award. Inland has made significant progress in managing the preparation of the site for redevelopment and the gaining of this award is a tribute to the hard work of the project team. At the outset, DGV and Inland plc were determined that the scheme for Drayton Garden Village would be pioneering in terms of sustainability".

Significant progress has been made over the past 12 months with the sale of 89 plots to a private house builder for £9.5m plus £0.63m towards Section 106 contributions.

Gross receipts from land sales at Drayton Garden Village now amount to £152m and Inland's future profit generated from the planning and development services contract with DGV is expected to be approximately £18m.



Stephen Wicks with Sir Brian Hoskins, an eminent and world leading authority on climate change, at Drayton Garden Village

Drayton Garden Village, West Drayton

Inland secured planning permission for 773 new homes, a primary healthcare facility, nursing home and a variety of commercial premises.

OVERVIEW

Inland's planning and development services contract at the 31 acre Drayton Garden Village site is now well underway with 148 private tenure and affordable homes currently under construction.

Following planning permission being granted in October 2010 for 773 homes, an 80 bedroom nursing home, medical centre and a variety of office, retail and community space, Inland has undertaken the major infrastructure works required to deliver this high profile project.

The Energy Centre, home to the gas fired combined heat and power plant that will provide heating and hot water to the entire development, is nearing completion. This state of the art District Heating Network is being delivered by Drayton Garden Village Limited (DGV) in conjunction with E.ON Sustainable Energy, one of the UK's leading integrated power and gas companies, and will result in a 43% carbon dioxide reduction each year.

Inland's use of low and zero carbon technologies at Drayton Garden Village, when compared to housing built in 2006, will create carbon savings significantly beyond the sustainable requirement of the Greater London Authority of 20%.

Drayton Garden Village has already become an award-winning development by gaining the prestigious Land Award, sponsored by the Land Trust, at the annual Sustain Magazine Awards in London on 1 March 2011.

This award was in recognition of Inland Homes' overall management of the concept and approach to Drayton Garden Village. In particular its sustainable design, construction, code for Sustainable Homes (Code 4) "zero" waste target, remediation approach, district heating network being built on-site, water conservation, ecological enhancement, sustainable selection and sourcing of materials and mitigation of pollution.





Carter's Quay, Poole
Inland has now submitted a planning application for approximately 270 homes and over 100,000 sq ft of office, retail and restaurant space at the high profile waterfront Carter's Quay site in Poole, Dorset.

OVERVIEW

Inland has now submitted a planning application for approximately 270 homes and over 100,000 sq ft of office, retail and restaurant space at the high profile waterfront Carter's Quay site in Poole, Dorset.

This application, forming a central part of Poole's Holes Bay Basin Regeneration Area, follows 12 months of extensive consultation with the Local Authority, Resident's Associations, Action Groups and local residents which included public exhibitions attended by over 800 people.

The application incorporates many of the requests from local residents such as public access to the waterfront, car parking for visitors and the location and sizes of houses, apartments and businesses in different parts of the site.

The name is a tribute to the Carter family who produced ceramic tiles on the site from 1895 to 1964. 86% of local residents who completed the survey approved the name.

The construction of the iconic 'Twin Sails Bridge' is nearing completion and will form a new access to the regeneration area.



St John's Hospital, Chelmsford
Inland has contracted to acquire the northern section of the former St John's Hospital site located in the desirable town of Chelmsford, Essex.

OVERVIEW

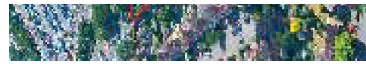
Inland has contracted to acquire the northern section of the former St John's Hospital site located in the desirable town of Chelmsford, Essex.

The 6.5 acre site is situated in a Conservation Area and within close proximity of the town centre and its mainline station.

The combined hospital site benefits from an allocation for the development of 300 residential dwellings and Inland is working closely with the Local Authority to agree a comprehensive and

high quality design solution for this important local site, of which we currently control 50%. Inland proposes to retain many of the former Victorian Workhouse buildings that exist on site due to their historical value, together with the introduction of high quality new housing and some apartments in a well landscaped setting.

A planning application for approximately 125 dwellings on the northern section of the site is anticipated towards the end of 2011.



↑ The Twin Sails Bridge is part of the regeneration project that will see Poole's much needed second harbour crossing open in early 2012.

← Northern section of St John's Hospital

Providing quality homes with an emphasis on design and sustainability

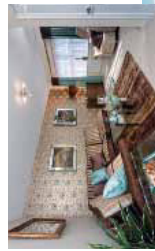
Queensgate, Farnborough
Inland completed the construction of 37 houses and apartments at the former Ministry of Defence site in Farnborough during the year.

OVERVIEW

Inland completed the construction of 37 houses and apartments at the former Ministry of Defence site in Farnborough during the year. Our associate company, Howarth Homes plc, acted as the main building contractor.

To date, all houses and apartments have been sold with the exception of one being held for short term rental investment. Due to the popularity of this project amongst purchasers and our intention

to increase our house building activity, we will shortly commence building a further phase of 19 homes. This phase mainly consists of two bedroom houses. A revised planning application for approximately 270 plots has been submitted to the Local Authority for the balance of the site. This is to improve the scheme layout and product mix given changes in the market demand locally and to ensure optimisation of the value of the site.



→ Show home at Queensgate, Farnborough



QUEENSGATE
FARNBOROUGH



→ Completed homes at Woodland Chase, Croxley Green



Woodland Chase, Croxley Green
Inland's joint venture with our associate company, Howarth Homes plc, at Woodland Chase, Croxley Green, Hertfordshire is proving very popular with buyers.

OVERVIEW

Inland's joint venture with our associate company, Howarth Homes plc, at Woodland Chase, Croxley Green, Hertfordshire is proving very popular with buyers.

The development of 3, 4 and 5 bedroom detached and semi-detached homes is set in over 12 acres of protected woodland with paths leading to the Grand Union Canal and is within close proximity of a number of highly regarded schools.

The site is ideal for commuters due to its proximity to both Croxley Green and Rickmansworth Metropolitan line stations, which allow travel to Baker Street within 40 minutes.

We have now completed the building of 31 of the 51 homes of which 26 are now sold and occupied and another is unconditionally exchanged for sale. 15 of the homes were sold to a Housing Association. Inland will receive 50% of the net profit from this project.

Chairman's statement



Future growth strategy

- Strategy continues to evolve.
- Increase the scale of our house building activities.
- Strong performance over the last twelve months.
- Confident about our strategy and prospects for the future.

I am pleased to report that the year ended 30 June 2011 has seen an excellent performance by Inland.

This has produced a substantial increase in both revenue and profitability over the previous period as well as significantly lower levels of debt.

RESULTS

Total turnover resulting from land and property sales, rental income and project management fees was £21.4m (2010: £14.5m), operating profit was £3.5m (2010: £2.0m) and profit before tax was £3.5m (2010: £1.1m). Earnings per share have increased by 208.8% from 0.48p to 2.10p. Net asset value per share was 26.43p, an increase of 9.0% over the previous period (2010: 24.30p).

As I stated in the Interim Report, this figure excludes any future value from the Drayton Garden Village Development Services Agreement, where Inland has the potential of earning up to 90% of the profit from this development as a result of the development services Inland expects to be able to provide. The Directors believe that our potential share of the future profits from this project could be approximately £18m and is equivalent to 7p per share net of tax.

OPERATIONAL REVIEW

Inland achieved the sale of 256 building plots during the year, an increase of 62% compared to the corresponding period. This strong performance demonstrates the ongoing demand for development land in the south East of England, a trend that we believe will continue irrespective of the general weakness in the house building industry elsewhere in the UK. Of particular note in the year was the sale of 65 plots for affordable homes in Minet Drive, Hayes, Middlesex to a major housing association. We succeeded in securing planning permission for this site seven weeks from submission of the planning application after initially having lost a planning appeal. This has enabled the Directors to maintain their unbroken track record of obtaining consents on their projects; an outstanding performance in today's very hostile planning environment!

Drayton Garden Village, a 'flagship' development of 773 plots with commercial space in West London to which we provide significant development services, continues to make considerable progress. Key milestones in this project were the sale of 89 plots to a substantial private house builder for £9.5m plus, a contribution of £630,000 towards 'Section 106' payments and a further sale (conditional on detailed planning consent) of a plot for an 80 bed nursing

home for £1.8m which is expected to complete in the second half of the current financial period. Gross receipts to date from land sales at Drayton Garden Village are £15.2m. Inland's share of the profits of DGVL to 30 June 2011 is £4m. At the year end, the total amount of deferred consideration payments due on this site amounted to £1.4m of which £7m falls due after more than one year.

Having completed demolition and land remediation, DGVL's focus is now on installing the infrastructure at Drayton Garden Village and I am pleased to report that with our assistance roads, drainage and the first of the village green are nearing completion. The combined heat and power network and energy centre are now also well underway. During the course of the year Drayton Garden Village won the coveted Land Award by Sustain Magazine, recognising our achievements in managing the energy conservation and sustainable development.

I am pleased to report that we completed the sale of 31 homes at our Queensgate, Farnborough development achieving a development contribution of £576,000. We will shortly commence building the next phase of 19 homes on this development, which are mainly two bedroom houses, with construction finance provided by Close Property Finance. A revised planning application for the balance of the site (approximately 270 plots) with an improved layout and mix has now been submitted. We also intend to start the construction of our Redhill, Surrey development in early 2012. This residential development of 28 units is in an attractive location which we believe will be popular with homebuyers.

In light of the changes in the marketplace, our strategy continues to evolve and we have made a conscious decision to increase the scale of our house building activities on specific sites under our control, following the successful conclusion of the planning process. On our larger projects, this strategy will not only improve the value of the remaining land but will also allow Inland to retain the development profit, thereby further enhancing shareholder value. This approach will be carefully balanced to ensure the Group's cash flows are sufficient to enable us to take this longer term view. The Board is also proposing

a resolution at the next Annual General Meeting (AGM) to change the Company's name to Inland Homes plc.

The first phase of work on the £2m link road for the new Twin Sails Bridge in Poole, Dorset has now been completed. The planning application for our development has now been submitted for approximately 270 homes and over 100,000 sq ft of commercial space. This is a momentous achievement for our planning team as the site in Poole will be a significant redevelopment project for the region.

I am also pleased to report that since the year end, we have contracted to purchase part of St John's Hospital in Chelmsford, Essex. This 6.5 acre brownfield site should gain a consent for approximately 125 homes.

The current land bank under the Group's control consists of approximately 765 residential plots of which 484 plots and 97,000 sq ft of commercial space is consented. In addition the Drayton Garden Village development has 625 residential plots and 55,000 sq ft of commercial space with planning permission.

It gives me great pleasure to also report that Paul Brett has been appointed as Land Director to the Board of Inland plc. Paul joined the Inland Group in August 2005 and has extensive experience in identifying brownfield land and in the complex processes of the planning system.

FINANCIAL SUMMARY

The net profit for the year ended 30 June 2011 was £3.8m (2010: £1.2m) which represents earnings per share of 2.10p (2010: 0.48p).

As reported previously to shareholders, despite a track record with Royal Bank of Scotland stretching back over many years, the bank behaved in a precipitous manner with regard to our banking facilities, reducing the amounts available to Inland and introducing penal terms that were unpalatable. As a consequence the Board decided to make a full repayment at the earliest possible opportunity to avoid these exorbitant fees and enable Inland to exit the 'relationship'. I am pleased to report that the bank was repaid in full in December 2010.

Whilst the Group is seeking a new senior banking relationship and some positive discussions are taking place, interim funding is being achieved from sales and loans from private investors. However, bank finance for house building is now more readily available than in recent years.

By the year end all deferred consideration on land purchases by the Group were paid (2010: £6m outstanding); net debt at the year end stood at £0.42m (2010: £6.72m) translating to net gearing (including deferred consideration) of 0.9% (2010: 34.2%).

In view of the progress achieved by the Group, the Board has resolved to eliminate the deficit in reserves and a resolution will be proposed at the next AGM for the capitalisation of the Parent Company's reserves to pave the way for distributions to be made in the future.

INVESTMENTS

Our associate company Howarth Homes plc (Howarth) made considerable progress in the year, increasing both turnover and profitability. Howarth secured £14m of contracts to build affordable housing on sites where the Housing Associations purchased the land from Inland.

Howarth is project managing a complex infrastructure package for Inland at Drayton Garden Village as well as working in partnership with us on the Croxley Green joint venture of 51 houses.

OUTLOOK

Inland's strong performance over the last twelve months is in stark contrast to the broader economic outlook in the UK. Our strategy of pursuing complex, large scale projects where our expertise can create substantially increased value is now starting to show tangible results.

With Inland's development focus in the South East and our portfolio and pipeline now generating exciting new opportunities, we remain confident about our strategy and prospects for the future.

Terry Roydon
CHAIRMAN
17 October 2011

Chief Executive's review



A strong performance

- Our development pipeline has never been stronger and we continue to see further opportunities across the South East.
- Despite the broader market uncertainty we remain upbeat and believe the next twelve months will deliver another period of growth for Inland.

Mark Twain said 'buy land they're not making it anymore', therein lies Inland's opportunity and also the major issue that besets our industry.

The fear and paranoia of anti-development groups in the UK who believe that house builders are hell-bent on 'concreting over the countryside' sets the scene for how the public at large and regulatory bodies view development and developers.

If this deeply embedded anxiety and fear of development could be set aside for a moment perhaps house builders could be seen for what they are, simply manufacturers of a product that requires a raw material – land with planning permission.

Last year saw the lowest number of new homes built for 70 years and as the country's housing crisis escalates, there are serious side effects: over 5 million people are on local authority waiting lists; millions more live in overcrowded and substandard accommodation against a backdrop of a rapidly rising population.

The recently announced national planning policy framework showed signs that the Government was waking up at last to the regulatory burdens that the housing industry is weighed down with. Unfortunately, anti-development groups are succeeding in watering

down' this initiative by ill-informed propaganda that creates the fear and paranoia I refer to above.

House builders, and numerous companies in the supply chain, want to go to work and build the homes the country desperately needs. The Government must stand firm on its commitment to be pro-growth and create a framework in which local authorities are required to encourage the house building that is so vital to our economy and the needs of ordinary people.

Looking back on the last year I am pleased that, notwithstanding the very tough planning, financial and economic climate in which we operate, our small team at Inland performed exceptionally well at every level.

Of particular note was the complete repayment of our facilities with Royal Bank of Scotland, leaving us with much lower net debt levels compared to the prior year (2011: £0.4m; 2010: £6.7m) and a record number of building plots sold, which helped to produce this very good set of results for shareholders.

Mainstream funding for buying brownfield land without planning permission is very difficult to find in the current climate and the Group therefore relies on its cashflows and has re-appraised the way in which it fulfils its capital requirements.

"I am delighted with the strong performance of Inland over the last twelve months. Despite the ongoing difficulties of the planning system, we are able to secure favourable consents, but, more importantly, generate profitable outcomes which will continue to underpin the prospects for Inland."

To this end I am pleased to report that the Group is at an advanced stage of negotiations with a number of parties to draw down new lines of funding secured on our unencumbered assets. Whilst this source of funding will be more costly than conventional bank facilities, it will be available for up to three years and will create new core capital to expand the business. We are expecting to raise approximately £15m via this route.

As set out in the Chairman's Statement we will be increasing our direct house building and intend to commence 47 units on two sites shortly. This house building will take place on prime plots within our existing land bank. Subject to performance we would expect to further increase the scale of these activities substantially over the next few years. I believe that this will provide improved access to bank finance and also enable the Group to receive the development contribution, thus enhancing shareholder value.

Drayton Garden Village continues to evolve. With further land sales in the pipeline, a modern combined heat and power system, which targets a 43% carbon reduction, is the subject of considerable industry interest.

Sir Brian Hoskins, an eminent and world leading authority on climate change and an advisor to the Government on this subject, showed

his support for the efforts being made at the development by visiting the project recently.

Despite a very competitive market for unconsented land we have a good forward pipeline that we are working on. These projects would provide a further 900 plots and included in that number is the former St John's Hospital in Chelmsford where we have exchanged contracts on the northern section and expect to make a planning application for approximately 125 units within this calendar year.

We have also submitted a planning application on our regeneration project in Poole, Dorset for approximately 270 homes and over 100,000 sq ft of mixed use space. This project is part of the Holes Bay regeneration scheme, one of the largest brownfield projects in the south west of England, and we are very enthusiastic about the prospects for this development.

A revised planning application on our land at Queensgate, Farnborough has been submitted for a scheme of approximately 270 units with an improved mix that should enhance the value of this development.

We have recently secured a resolution to grant consent on one of our first 'asset management agreements' for 67 units in the London Borough of

Hounslow. We expect to earn project management fees and reimbursement of our costs when this land is sold. We are working hard to secure further, similar agreements which will enable Inland to use its planning expertise to create additional income streams with a low capital outlay.

I endorse our Chairman's comments on the appointment of my colleague Paul Brett to the Board. This promotion is much deserved and, having worked with Paul for the last 16 years, I can assure shareholders that he is a great asset to our business. Bearing in mind my advancing age it is good to see some 'younger blood' coming in!

Inland has demonstrated over the last two years that, despite the constraints I have outlined in my review, we have been able to grow the business, return to profitability, reduce our gearing and adapt our strategy accordingly.

I feel very confident that Inland will make considerable progress during the current financial year.

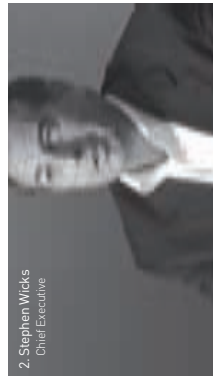
Stephen Wicks
CHIEF EXECUTIVE
17 October 2011

Directors

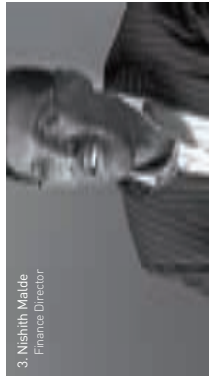
1. Terry Roydon
Non-executive Chairman



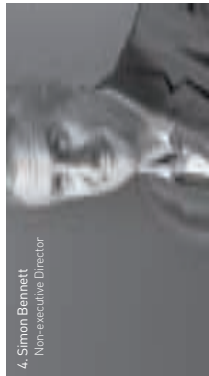
2. Stephen Wicks
Chief Executive



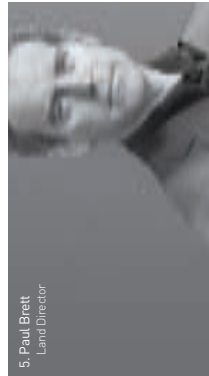
3. Nishith Malde
Finance Director



4. Simon Bennett
Non-executive Director



5. Paul Brett
Land Director



1. Terry Roydon, Non-executive Chairman aged 64, holds a BSc in Estate Management from the University of London and a Masters in Business Administration from the University of Pittsburgh. He was previously chief executive of Prowling plc, a UK house builder, which he led to flotation on the London Stock Exchange in 1988. The company was subsequently purchased by Westbury plc in June 2002 for £140m. Since 1998, Mr Roydon has been a consultant and member of the board of Dom Development S.A., a major quoted Polish residential developer, together with a number of non-executive and consultancy positions in the UK and continental house building companies, including holding non-executive board positions with AIM quoted Engel East Europe N.V., Country & Metropolitan plc (until 2005), Gladedale Holdings plc (until March 2007) and McCann Homes Holdings Limited (until May 2011). From 1995 to 1997 he was President of the European Union of House Builders and Developers.

2. Stephen Wicks, Chief Executive aged 60 was the founding shareholder and chief executive of Country & Metropolitan plc, which floated on the main market of the London Stock Exchange in December 1999 with a market capitalisation of £6.9m. He directed the growth of Country & Metropolitan plc until its disposal in April 2005 to Gladedale Holdings plc for approximately £72m. Mr Wicks has worked in the construction and house building sector all of his working life and has extensive knowledge of local and national policies on both greenfield and brownfield sites.

3. Nishith Malde, Finance Director aged 53 qualified as a Chartered Accountant in 1985 with KPMG and specialised in advising owner managed businesses. He left KPMG in 1989 to set up a consultancy firm which later merged with an audit practice where he was the partner responsible for the affairs of Country & Metropolitan plc. Mr Malde joined Country & Metropolitan plc as finance director and company secretary in 1998. He was actively involved in the preparation for the flotation of Country & Metropolitan plc in December 1999 and its further development until it was acquired by Gladedale Holdings plc in April 2005. Mr Malde is also on the board of Energiser Investments plc, an AIM listed company.

4. Simon Bennett, Non-executive Director aged 53 has over 25 years' investment banking experience in the City. Mr Bennett qualified as a Chartered Accountant with Saffery Champness in 1981. In 1982 he joined stockbrokers Scrimgeour Kemp Gee which was subsequently acquired by Citicorp in 1986. Thereafter, Mr Bennett was instrumental in establishing the mid and small cap advisory business of Citicorp Scrimgeour Vickers which was focused on fast growing mid and small cap companies. In June 1990, Mr Bennett joined Credit Lyonnais Securities and, following the defection of a team to a rival company, became head of corporate finance and head of the mid and small cap team in June 2000.

In June 2004, Mr Bennett left Credit Lyonnais, following its acquisition by Credit Agricole, and established Incremental Capital LLP to provide corporate finance advice to mid and small cap companies. In the latter part of 2005, Mr Bennett joined Baker Tilly as managing director of Baker Tilly and Co. Limited. He left the practice to concentrate full time on growing Citicourt & Co. Limited, an independent corporate finance advisory business, where he was the managing director and the majority shareholder. In late 2007 Mr Bennett joined Fairfax IS plc the independent investment bank as head of corporate broking. Mr Bennett is also non-executive chairman of Energiser Investments plc and a number of other private companies.

5. Paul Brett, Land Director aged 35 has been involved in the housing sector all of his working life, acquiring and master planning brownfield sites at Country & Metropolitan plc for ten years during which time he was promoted to Land Director of its Southern Region. Mr Brett joined the Inland Group in August 2005. He has extensive experience in identifying brownfield land and the necessary knowledge of the complexities of the planning system.

Directors' report

The Directors present their report and the financial statements of the Group and the Company for the year ended 30 June 2011.

PRINCIPAL ACTIVITY

The principal activity of the Company and its subsidiaries, together called the Group, is to acquire residential and mixed use sites and seek planning consent for development. The Group also develops a number of plots for private sale.

RESULTS AND DIVIDENDS

The trading results for the year are set out in the Group Income Statement on page 20 and the Group's financial position at the end of the year is set out in the Group Statement of Financial Position on page 21. Further details of the performance during the financial year and expected future developments are contained in the Chairman's Statement which forms part of the Directors' Report.

The Company has paid no dividends during the year (2010: £nil) and does not recommend the payment of a final dividend (2010: £nil). The Board intends to eliminate the deficit in reserves and a resolution will be proposed at the next AGM for the capitalisation of the Parent Company's reserves to pave the way for distributions in the future.

BUSINESS REVIEW

A review of the development and performance of the business during the year and the future outlook of the Group is set out in the Chairman's Statement on pages 8 and 9. The Group's key performance indicators are turnover, profit before tax, net assets per share and the number of plots with and without planning consent. These indicators are monitored closely by the Board and the details of performance against these are given in the Chairman's Statement.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the nature of the Group's strategy are subject to a number of risks.

The Directors have set out the principal risks facing the business below. Where possible, processes are in place to monitor and mitigate such risks.

These are general in nature and include: obtaining business on competitive terms; retaining key personnel; and market competition. The Group operates a system of internal control and risk management in order to provide assurance that the Board is managing risk whilst achieving its business objectives. No system can fully eliminate risk and, therefore, the understanding of operational risk is central to the management process.

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

Land – the inability to source, acquire and promote land would result in the business not being able to generate profit and cash flow for the longer term and accordingly this could have a detrimental effect on the financial position of the Group. The Group has an experienced management team with a strong track record in the industry which should mitigate this risk.

Planning – increased complexity and delay in the planning process may impede sales and thus affect the rate of growth of the business. The adoption of the Community Infrastructure Levy by local authorities may have a detrimental effect on the supply and pricing of land being marketed by landowners. The Group manages planning risk by acquiring most of its sites within the Local Development Plan and, where appropriate, through the use of extensive public consultations prior to making planning applications.

Market – to realise maximum value in a timely fashion will depend on the state of the property market in the regions in which the Group chooses to operate. A severe fall in the housing market would have an adverse effect on land values and would also affect timing of sales. The Group tries to ensure that its sites are in good locations thus providing some protection against any downturn in the market.

Personnel – the attraction and retention of staff of the highest calibre with appropriate experience is crucial to the growth of the business in the highly competitive markets in which the Group operates. This is achieved by maintaining a good morale in the work place and setting remuneration packages at attractive levels.

Interest rates – significant upward changes in interest rates could affect residential land prices as the demand for residential property would be affected. It will also lead to increased borrowing costs and thus have a detrimental effect on profit. The Group mitigates any adverse exposure to interest rate changes by controlling its gearing and, if necessary, by using hedging instruments.

Environmental – the assessment of environmental risk is an important element of the due diligence undertaken when buying land. Unexpected liabilities in respect of decontamination works or fines for environmental pollution could affect the outcome of a project. The Group uses reputable environmental consultancy firms to assist in this area.

Regulation – changes in legislation, government regulations, planning policies and guidelines may have a detrimental affect on the Group's business. The Group keeps abreast of potential changes in these areas and wherever possible allows for these in appraising its projects.

Construction – cost overruns, material shortages and delays can adversely impact margins on infrastructure and housebuilding.

The Group tries to build strong relationships with subcontractors and projects are reviewed frequently in order to mitigate these risks. **Finance** – the lack of availability of bank finance could have an adverse effect on the Group's progress. The Group continues to seek finance from alternative lending sources to improve its liquidity.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

All potential areas of financial risk are regularly monitored and reviewed by Directors and management. Any preventative or corrective measures are taken as necessary.

The Group uses various financial instruments. These include loans, cash and trade receivables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group also provides finance to DGVL as part of its arrangement with that company. The main purpose of this financial instrument is to enhance the Group's return from this project.

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

The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk, credit risk and capital risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

LIQUIDITY RISK

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Flexibility is achieved by loans and overdraft facilities.

CASH FLOW FAIR VALUE INTEREST RATE RISK

The Group's cash flow interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. All of the Group's borrowings are at variable rates but the Group does not consider the risk to be significant.

INTEREST RATE RISK

The Group finances its operations through a mixture of equity and bank and other borrowings. The Group controls the exposure to interest rate fluctuations by ensuring that the level of gearing is maintained at a reasonable level.

CREDIT RISK

The Group's principal financial assets are trade and other receivables, loans to associates and cash and cash equivalents. The Group trades and deals with counterparties after having considered their credit rating. In certain circumstances the Group may seek additional security.

CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital in relation to overall financing. Further information can be found in note 27 to the Group financial statements.

DIRECTORS AND THEIR INTERESTS

Each of the Directors listed on pages 12 and 13 held office as at 30 June 2011, with the exception of Mr P Brett who joined the Board as Land Director on 3 October 2011. The Directors of the Company and their respective beneficial interests (including that of their respective families) in the shares of the Company as at 30 June 2011 were as follows:

	As at 30 June 2011			As at 30 June 2010		
	Number of ordinary shares	Number of deferred shares	Number of share options	Number of ordinary shares	Number of deferred shares	Number of share options
Ordinary Shares	20,179,732	490	1,500,000	22,510,009	490	—
S D Wicks	10,905,000	392	1,500,000	10,475,000	392	—
N Madsen	3,374,214	98	1,100,000	3,374,214	98	1,100,000
P Brett	250,000	—	—	250,000	—	—
T Roydon	50,000	—	—	50,000	—	—
S Bennett	—	—	—	—	—	—

T Roydon and S Bennett are retiring by rotation in accordance with the Company's Articles of Association and have offered themselves for re-election. In addition, P Brett will also retire at the AGM and offer himself for election having been appointed by the Board since the last AGM.

No share options were exercised in the period. Further information on share options can be found in note 21 to the Group financial statements.

Directors' report continued

DIRECTORS' EMOLUMENTS

The remuneration of the individual Directors was:

	2011				2010
	Salary/fees £000	Benefits £000	Pension £000	Total £000	Total £000
Executive Directors					
S Cowdicks	300	28	—	328	297
N Marks	250	26	50	326	296
P Brett	180	11	17	208	197
Non-executive Directors					
T Roydon	30	—	—	30	30
S Bennett	25	—	—	25	25

P Brett was appointed to the Board on 3 October 2011. His salary, benefits and pension are included above for 2011 and 2010 for ease of reference. P Brett was considered to be key management up until his appointment.

QUALIFYING THIRD PARTY INDEMNITY PROVISION

During the financial year, a qualifying third party indemnity provision for the benefit of all of the Directors was in force.

SUBSTANTIAL SHAREHOLDING

As at 14 October 2011, the Company was aware of the following holdings in addition to those of the Directors discussed above, of 3% or more of the nominal value of the Company's shares:

Name	Shareholding	%
M H Dixon	24,000,000	13.11
Karoo Investment Fund SCA SICAV SIF	22,700,000	12.40
A K Brett	11,500,000	6.28
Henderson Global Investors Limited	10,098,143	5.52
Unique Limited	5,652,329	3.09

EMPLOYEE INVOLVEMENT

The Group places considerable value on the involvement of its employees and keeps them informed of all relevant matters on a regular basis. The Group is an equal opportunities employer and all applications for employment are considered fully on the basis of suitability for the job.

CHARITABLE AND POLITICAL CONTRIBUTIONS

Donations to charitable organisations amounted to £11,000 (2010: £2,000). These donations were made to a number of different charities supporting a broad range of causes. There were no political donations made during the year (2010: £nil).

PAYMENT POLICY AND PRACTICE

The Group's policy is for all companies within the Group to agree terms and conditions with their suppliers. Payments are then generally made on the basis of this agreement, providing the suppliers conform to the terms and conditions stipulated. At 30 June 2011 the Group had an average of 62 days' (2010: 60 days) purchases outstanding in trade payables.

CORPORATE GOVERNANCE

The Directors recognise the importance of sound corporate governance and the guidelines set out in the UK Corporate Governance Code 2010. Whilst AIM companies are not obliged to comply with the Code, the Directors intend to comply with the Code so far as is appropriate having regard to the size and nature of the various companies making up the Group. The Board will take such measures so far as considered appropriate for the Group to comply with the Code and in addition, the Quoted Companies Alliance (QCA) Guidelines for AIM Companies.

BOARD COMPOSITION

The Group is managed through its Board of Directors. The Board comprises the Non-executive Chairman, one other Non-executive Director, the Chief Executive, Finance Director and a Land Director (appointed 3 October 2011). The Board's main roles are to create value for the shareholders, to approve the Group's strategic objectives and to ensure that the necessary financial and other resources are made available to enable them to meet these objectives.

Specific responsibilities reserved to the Board include: setting Group strategy; reviewing operational and financial performance; approving certain land acquisitions; approving appointments to the Board; and approving policies relating to Directors' and senior management's remuneration. In addition, the Board reviews the risk profile of the Group and ensures that an adequate system of internal control is in place.

The roles of the Chairman and the Chief Executive are separate. The Chairman is responsible for running the Board and he meets the Chief Executive and the other Non-executive Director separately as and when required to discuss matters of the Board.

One-third of the Directors retire annually by rotation in accordance with the Company's Articles of Association and this enables the shareholders to decide on the election of their Company's Board.

AUDIT COMMITTEE

The audit committee comprises Terry Roydon (Chairman) and Simon Bennett. The audit committee meets at least three times a year and is responsible for ensuring that the financial performance of the Group is properly reported and monitored and for meeting the auditor and reviewing their reports in relation to the financial statements and internal control systems. The Group's auditor provides some non-audit services, but those are not considered to threaten their independence. The committee reviews the level of non-audit fees on an annual basis. The audit committee meetings are also attended by invitation by representatives of the Group's auditor, the Finance Director and the Chief Executive.

Since 30 June 2010 the audit committee has met four times to consider the planning of the statutory audit and to review the Group's draft half and full year results prior to Board approval and to consider the external auditor's detailed reports thereon.

REMUNERATION COMMITTEE

The remuneration committee comprises Simon Bennett (Chairman) and Terry Roydon. The principal functions of the committee are to determine the Group's policy on the remuneration of the Executive Directors and senior management and to determine the remuneration package of each Executive Director. The committee also determines the allocation of share options to the Executive Directors and other employees. The remuneration committee meetings are also attended by invitation by the Chief Executive. During the year the committee met once to review the Executive Directors' remuneration package.

The Directors comply with Rule 21 of the AIM Rules relating to Directors' dealings and take all reasonable steps to ensure compliance by the Company's applicable employees. The Company has adopted and operates a share dealing code for Directors and employees in accordance with the AIM Rules.

INTERNAL CONTROLS

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

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

RELATIONS WITH SHAREHOLDERS

The Company has institutional shareholders and is, where practicable, willing to enter into a dialogue with them. The Chief Executive and Finance Director meet with institutional investors within the confines of relevant legislation and guidance.

The Board invites communication from its private investors and encourages participation by them at the AGM. All Board members are present at the AGM and are available to answer questions from shareholders.

INTERNAL AUDIT

The Board reviews from time to time the need for an internal audit function and remains of the opinion that the systems of internal financial control are appropriate to the Group's present activities and that such a function is unnecessary.

Directors' report continued

GOING CONCERN

The Board has reviewed the performance for the current year and forecasts for the future period. It has also considered the risks and uncertainties, including credit risk and liquidity. The Directors have considered the present economic climate, the state of the housing market and the current demand for land with planning consent. The Group has continued to see an increase in demand for consensated land in the areas in which it operates. A significant part of the Group's land portfolio is unencumbered and the Group is in discussions with several parties to arrange debt finance secured against some of its sites. The Group is also in discussions for the sale of some of the land within its projects and expects to make sufficient disposals in the foreseeable future to ensure it has adequate working capital for its requirements. The Directors are satisfied that the Group will generate sufficient cash to meet its liabilities as and when they fall due for a period of twelve months from signing these financial statements. The Directors therefore can consider it appropriate to prepare the financial statements on the going concern basis.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have to prepare Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as elected by the European Union and have elected to prepare Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed in relation to the Group accounts and applicable UK Accounting Standards have been followed in relation to the Parent Company accounts, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Insofar as each of the Directors is aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

POST BALANCE SHEET EVENTS

There are no events subsequent to the balance sheet date that need to be disclosed.

ANNUAL GENERAL MEETING

The Notice covering the AGM together with the proposed resolutions is contained in the document accompanying this report. The AGM will be held on 23 November 2011.

AUDITOR

A resolution to reappoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the AGM in accordance with Section 489 of the Companies Act 2006.

By order of the Board

Nishith Malde
COMPANY SECRETARY
17 October 2011

Inland plc Annual Report and Accounts 2011

Independent auditor's report to the members of Inland plc

We have audited the Group financial statements of Inland plc for the year ended 30 June 2011 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Group Statement of Changes in Equity, the Group Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement in the Directors' Report, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

SEPARATE OPINION IN RELATION TO IFRSs

As explained in Note 1 to the Group financial statements, the Group, in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

OTHER MATTER

We have reported separately on the Parent Company financial statements of Inland plc for the year ended 30 June 2011.

Robert Napper
SENIOR STATUTORY AUDITOR
FOR AND ON BEHALF OF GRANT THORNTON UK LLP
STATUTORY AUDITOR, CHARTERED ACCOUNTANTS
SLOUGH
17 October 2011

Annual Report and Accounts 2011 Inland plc

Group income statement for the year ended 30 June 2011

Continuing operations	Note	2011 £'000	2010 £'000
Revenue	6	21,372	16,542
Cost of sales	7	(15,699)	(12,875)
Gross profit		5,673	3,667
Administrative expenses		(12,207)	(1,945)
Profit on investments		46	321
Operating profit		3,512	2,043
Finance cost – interest expense	9	(577)	(807)
Finance income – notional interest	10	207	(324)
Finance income – interest receivable and similar income	10	131	139
		3,273	1,051
Share of profit of associate		132	—
Share of profit of joint venture		138	—
Profit before tax		3,543	1,051
Income tax	11	303	141
Profit for the year		3,846	1,192
Attributable to:			
Equity holders of the Company		3,846	1,192
Earnings per share for profit attributable to the equity holders of the Company during the year			
– basic	12	2.10p	0.48p
– diluted	12	2.07p	0.66p

Group statement of comprehensive income for the year ended 30 June 2011

	Note	2011 £'000	2010 £'000
Profit for the year	22	3,846	1,192
Other comprehensive income		—	—
Total comprehensive income for the year		3,846	1,192

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

Group statement of financial position at 30 June 2011

	Note	2011 £'000	2010 £'000
ASSETS			
Non-current assets			
Investment property	13	8,801	8,801
Property, plant and equipment	13	76	58
Investments	14	1,009	729
Joint ventures	14	2,401	2,269
Investment in associate	14	96	—
Receivables due in more than one year	17	70	—
Deferred tax	15	4,976	4,597
Total non-current assets		17,429	16,454
Current assets			
Inventories	16	24,105	35,151
Trade and other receivables	17	10,299	5,691
Loan to associate	18	1,895	1,895
Listed investments held for trading (carried at fair value through profit and loss)	19	1	131
Cash and cash equivalents	20	2,239	2,519
Total current assets		38,539	45,387
Total assets		55,968	61,841
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	21	18,301	18,301
Share premium account	22	45,794	45,804
Treasury shares	22	(366)	(366)
Retained earnings	22	(15,248)	(19,280)
Total equity		48,481	44,461
LIABILITIES			
Current liabilities			
Bank loans and overdrafts	28	663	9,242
Other loans	28	2,000	—
Trade and other payables	23	4,824	2,173
Other financial liabilities	24	—	5,945
Total liabilities		7,487	17,380
Total equity and liabilities		55,968	61,841

The financial statements were approved and authorised for issue by the Board of Directors on 17 October 2011.

Stephen Wicks
CHIEF EXECUTIVE

Nishith Maide
FINANCE DIRECTOR

Company number
3482990

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

Group statement of changes in equity for the year ended 30 June 2011

	Share capital £000	Share premium £000	Treasury shares £000	Retained earnings £000	Other reserves £000	Total £000
At 30 June 2009	16,216	45,184	(366)	(15,848)	(4,806)	40,380
Share-based payment	—	—	—	182	—	182
Issue of equity	2,085	622	—	—	—	2,707
Transactions with owners	2,085	622	—	182	—	2,889
Total comprehensive income for the year	—	—	—	1,192	—	1,192
Reserves transfer	—	—	—	(4,806)	4,806	—
Total changes in equity	2,085	622	—	(3,432)	4,806	4,081
At 30 June 2010	18,301	45,806	(366)	(19,280)	—	44,461
Share-based payment	—	—	—	186	—	186
Issue of equity	—	(12)	—	—	—	(12)
Transactions with owners	—	(12)	—	186	—	174
Total comprehensive income for the year	—	—	—	3,846	—	3,846
Total changes in equity	—	(12)	—	4,032	—	4,020
At 30 June 2011	18,301	45,794	(366)	(15,248)	—	48,481

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

Group statement of cash flows for the year ended 30 June 2011

	Note	2011 £000	2010 £000
Cash flow from operating activities		3,543	1,051
Profit for the year before tax			
Adjustments for:			
- depreciation	13	38	34
- share-based compensation		186	182
- fair value adjustment for listed investments		(30)	(31)
- profit on disposal of listed investments		(14)	(40)
- interest expense		577	1,131
- interest and similar income		(338)	(139)
- share of profit of associate		(132)	—
- share of profit in joint venture		(138)	—
Changes in working capital (excluding the effects of acquisition):			
- decrease in inventories		11,046	6,505
- increase in trade and other receivables		(4,400)	(2,094)
- decrease in receivables due in more than one year		(70)	—
- decrease in trade and other payables		(3,345)	(6,788)
Net cash inflow/outflow from operating activities		6,901	(209)
Cash flow from investing activities		131	120
Interest received		(56)	(11)
Purchases of property, plant and equipment	13	(283)	(2,717)
Purchase of investments		146	628
Sale of investments			
Net cash outflow from investing activities		(62)	(1,980)
Cash flow from financing activities		(527)	(748)
Interest paid		(2,410)	—
Repayment of borrowings		2,000	2,657
New loans		(12)	—
Costs on issue of ordinary shares during prior year		—	—
Net proceeds on issue of ordinary shares		—	2,707
Net cash (outflow)/inflow from financing activities		(949)	4,616
Net increase in cash and cash equivalents		5,890	2,427
Net cash and cash equivalents at beginning of year		(3,651)	(6,078)
Net cash and cash equivalents at the end of year		2,239	(3,651)
Cash and cash equivalents		2,239	2,519
Bank overdraft		—	(6,170)
2,239		(3,651)	

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

Notes to the group financial statements for the year ended 30 June 2011

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Group financial statements are set out below.

BASIS OF PREPARATION

The Group financial statements have been prepared under the historical cost convention, except for financial instruments and the investment property which are measured at fair value, and in accordance with applicable International Financial Reporting Standards (IFRS) as adopted by the EU and as issued by the International Accounting Standards Board.

The accounting policies that have been applied in the opening Statement of Financial Position have also been applied throughout all periods presented in these financial statements. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 30 June 2011.

The following new standards are in issue and have had no effect on these statements:

- ➔ IFRS 2 (Amendment): Group Cash-settled Share-based Payment Transactions;
- ➔ Improvements to IAS 1, 7, 17, IFRS 5 and IFRS 8;
- ➔ IAS 27 (Revised): Consolidated and Separate Financial Statements;
- ➔ IAS 32 (Amendment): Classification of Rights Issues; and
- ➔ IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

- ➔ IFRS 9: Financial Instruments (effective 1 January 2013);
 - ➔ IAS 24 (Revised 2009): Related Party Disclosures (effective 1 January 2011);
 - ➔ IFRIC 14 (Amendment): Pre-payments of a Minimum Funding Requirement (effective 1 January 2011);
 - ➔ Improvements to IFRS issued May 2010 (some changes effective 1 July 2010, others effective 1 January 2011);
 - ➔ IAS 19 (Revised) Employee Benefits (effective 1 January 2013);
 - ➔ IFRS 10 Consolidated Financial Statements (effective 1 January 2013);
 - ➔ IFRS 11 Joint Arrangements (effective 1 January 2013);
 - ➔ IFRS 12 Disclosure of Interests in Other Companies (effective 1 January 2013); and
 - ➔ IFRS 13 Fair Value Measurement (effective 1 January 2013).
- None of these standards will have an impact on the Group's financial statements.

BASIS OF CONSOLIDATION

The Group's financial statements consolidate the financial statements of the Company and all of its subsidiary undertakings drawn up to 30 June 2011. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

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

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

GOING CONCERN

The Board has reviewed the performance for the current year and forecasts for the future period. It has also considered the risks and uncertainties, including credit risk and liquidity. The Directors have considered the present economic climate, the state of the housing market and the current demand for land with planning consent. The Group has continued to see an increase in demand for residential land in the areas in which it operates. A significant part of the Group's land portfolio is unencumbered and the Group is in discussions with several parties to arrange debt finance secured against some of its sites. The Group is also in discussions for the sale of some of the land within its projects and expects to make sufficient disposals in the foreseeable future to ensure it has adequate working capital for its requirements. The Directors are satisfied that the Group will generate sufficient cash to meet its liabilities as and when they fall due for a period of twelve months from signing these financial statements. The Directors therefore can consider it appropriate to prepare the financial statements on the going concern basis.

Overview	Business review	Corporate governance	Group financial statements	Company financial statements
1. ACCOUNTING POLICIES continued ASSOCIATES Associates are those entities over which the Group has significant influence through Board representation but which are neither subsidiaries nor interests in joint ventures. Investments in associates are recognised initially at cost and subsequently accounted for using the equity method. Acquired investments in associates are also subject to acquisition method accounting. However, any goodwill or fair value adjustment attributable to the share in the associate is included in the amount recognised as investment in associates. All subsequent changes to the share of interest in the equity of the associate are recognised in the Group's carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are reported in 'share of profits of associates' in the Group Income Statement and therefore affect net results of the Group. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of assets and liabilities. Items that have been recognised by the associate in Other Comprehensive Income are recognised in Other Comprehensive Income. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. JOINT VENTURES Investments in joint ventures are recognised initially at cost and subsequently accounted for using the equity method. All subsequent changes to the share of interest in the equity of the joint venture are recognised in the Group's carrying amount of the investment. Changes resulting from the profit or loss generated by the joint venture are reported in 'share of profits of joint venture' in the Group Income Statement and therefore affect net results of the Group. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of assets and liabilities. REVENUE Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied, excluding VAT and trade discounts. Sale of land Revenue from the sale of land is recognised when all the following conditions have been satisfied: ➔ the Group has transferred to the buyer the significant risks and rewards of ownership of the goods which is generally when contracts have been completed; ➔ the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the land sold which is generally when the contract has been completed; ➔ the amount of revenue can be measured reliably; ➔ it is probable that the economic benefits associated with the transaction will flow to the Group; and ➔ the costs incurred or to be incurred in respect of the transaction can be measured reliably. Sale of residential units Turnover is recognised on legal completion, which is generally when the title passes. Fee income The Group provides planning and property management services to third parties for a fee. The Group recognises revenue based on the fair value and stage of completion of the planning and property management services provided to these customers as at the period end. Interest Interest is recognised using the effective interest method which calculates the amortised cost of a financial asset and allocates the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Rental income Rental income derived from operating leases is recognised on a straight line basis over the lease term. Dividends Dividends are recognised when the shareholders' right to receive payment is established.				

Notes to the group financial statements continued for the year ended 30 June 2011

1. ACCOUNTING POLICIES continued

EXCEPTIONAL ITEMS

Exceptional items are material items which derive from events or transactions that fall within the ordinary activities of the Group and which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the financial statements are to give a fair presentation.

PROPERTY, PLANT AND EQUIPMENT

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

DISPOSAL OF ASSETS

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the income statement. Any revaluation surplus remaining in equity on disposal of the asset is transferred to the profit and loss reserve.

DEPRECIATION

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

Fixtures and fittings	- 25%
Office equipment	- 25%
Motor vehicles	- 25%
Leasehold property	- over the term of the lease

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

INVESTMENT PROPERTY

Investment properties are initially accounted for using the cost model and then held under the revaluation model. Investment properties are revalued annually and are included in the Group Statement of Financial Position at their open market values. Any gain or loss resulting from the sale of an investment property is immediately recognised in profit or loss. An investment property shall be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

INVENTORIES

Inventories consist of land and work in progress and valued at the lower of cost and net realisable value. Net realisable value is estimated based upon the future expected selling price, less estimated costs to sell.

IMPAIRMENT TESTING OF PROPERTY, PLANT AND EQUIPMENT

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset. If the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined for the cash-generating unit to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognised in the Group Income Statement in those expense categories consistent with the function of the impaired asset. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Overview	Business review	Corporate governance	Group financial statements	Company financial statements
1. ACCOUNTING POLICIES continued TAXATION Current tax is the tax currently payable based on taxable profit for the period. Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Temporary differences include those associated with shares in subsidiaries and joint ventures unless reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax bases available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets. Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the year end date. Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Group Income Statement except where they relate to items that are recognised in other comprehensive income (such as the revaluation of the investment property not included in inventories) or directly in equity in which case the related deferred tax is also recognised in other comprehensive income or equity respectively. LEASED ASSETS Lease payments (excluding costs for services such as insurance and maintenance) applicable to operating leases where substantially all the benefits and risks of ownership remain with the lessor are recognised as an expense on a straight line basis over the lease term. EMPLOYEE BENEFITS Defined contribution pension scheme The pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period. EQUITY-SETTLED SHARE-BASED PAYMENT All share-based payment arrangements are recognised in the Group financial statements. All goods and services received in exchange for the grant of any share-based payment are measured at their fair values using the Black-Scholes options pricing model. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of any non-market vesting conditions. All equity-settled share-based payments are ultimately recognised as an expense in the Group Income Statement with a corresponding credit to retained earnings. If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting. Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital and, where appropriate, share premium. FINANCIAL ASSETS Financial assets are divided into the following categories: loans and receivables; financial assets at fair value through profit or loss; and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired. All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets other than those categorised as at fair value through profit and loss are initially recognised at fair value plus finance costs. Financial assets categorised as at fair value through profit or loss are recognised initially at fair value with transaction costs expensed through the Group Income Statement. Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity as at fair value through profit or loss upon initial recognition. Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in the Group Income Statement. Financial assets originally designated as financial assets at fair value through profit or loss may not be re-classified subsequently.				

Notes to the group financial statements continued for the year ended 30 June 2011

1. ACCOUNTING POLICIES continued

FINANCIAL ASSETS continued

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's available-for-sale financial assets include listed securities.

All financial assets within this category are subsequently measured at fair value with changes in value recognised in Other Comprehensive Income. Gains and losses arising from financial instruments classified as available-for-sale are initially recognised in Other Comprehensive Income then re-classified from equity to profit or loss when they are sold.

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

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

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

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

FINANCIAL LIABILITIES

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. All other financial liabilities are recorded initially at fair value, net of direct issue costs.

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

Financial liabilities are categorised as at fair value through profit or loss where they are classified as held-for-trading or designated as at fair value through profit or loss on initial recognition (including deferred purchase consideration). Financial liabilities are designated as at fair value through profit or loss where they eliminate or significantly reduce a measurement (or recognition) mismatch.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

DIVIDENDS

Dividend distributions payable to equity shareholders are included in other short term financial liabilities when the dividends are approved in general meeting prior to the year end date.

EQUITY

An equity instrument is a contract which evidences a residual interest in the assets after deducting all liabilities. Equity comprises the following:

- 'Share capital' represents the nominal value of equity shares;
- 'Share premium' represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue;
- 'Treasury shares' represent the purchase of the Company's own shares and are deducted from total equity as treasury shares until they are sold or cancelled where such shares are subsequently sold or re-issued, any consideration received is included in total equity;
- 'Other reserves' represent amounts recognised in Other Comprehensive Income relating to available-for-sale financial assets through equity; and
- 'Profit and loss reserve' represents retained profits.

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2. FINANCIAL RISK MANAGEMENT

FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: credit risk; liquidity risk; cash flow risk; and fair value interest-rate risk. The Group's overall risk management programmes focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out centrally under policies approved by the Board of Directors.

(a) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the year end date, as summarised below:

	2011 £000	2010 £000
Classes of financial assets – carrying amounts		
Listed investments held for trading	1	131
Loan to associate	1,995	1,875
Cash and cash equivalents	2,538	2,519
Trade and other receivables	10,299	5,671
Receivables due in more than one year	70	—
	14,504	10,236

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

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality.

Some of the Group's financial assets are secured by collateral.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality credit ratings.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash balances and ensuring availability of funding through an adequate amount of credit facilities. The Group aims to maintain flexibility in funding by keeping credit lines available. The Group also purchases property under deferred consideration arrangements.

(c) Cash flow fair value interest rate risk

The Group's cash flow interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. All the Group's borrowings are at variable rates but the Group does not consider the risk to be significant.

(d) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the Group Statement of Financial Position either as available-for-sale or at fair value through profit or loss.

For the listed equity securities, an average volatility of 0% has been observed during the year ended 30 June 2011. If the quoted stock price of these securities had increased or decreased by that amount, the net result for the year would have been increased/reduced by £nil (2010: £4,000). Equity would have changed by £nil (2010: £4,000). The average volatility has been derived by using the movement in the share prices of the underlying securities at each month end and taking the average across all the securities.

The investments in listed equity securities that are held as available-for-sale financial assets are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments.

3. SEGMENT INFORMATION

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

In identifying its operating segments, management differentiates between land sales, house building, fee income and other income. These segments are based on the information reported to the chief operating decision maker. The Group's results to date are substantially derived from the sale of land.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Notes to the group financial statements continued for the year ended 30 June 2011

CRITICAL ACCOUNTING ESTIMATES

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Valuation of inventories

In applying the Group's accounting policy for the valuation of inventories the Directors are required to assess the expected selling price and costs to sell each of the plots or units that constitute the Group's landbank and work in progress. Estimation of the selling price is subject to significant inherent uncertainties, in particular the prediction of future trends in the market value of land.

Whilst the Directors exercise due care and attention to make reasonable estimates taking into account all available information in estimating the future selling price, the estimates will, in all likelihood, differ from the actual selling prices achieved in future periods and these differences may, in certain circumstances, be very significant. The critical judgement in respect of planning consent (see below) further increases the level of estimation uncertainty in this area.

(b) Income taxes

The Group recognises tax/deferred tax assets and liabilities for anticipated tax based on estimates of when the tax/deferred tax will be paid or recovered. When the final outcome of these matters is different from the amounts initially recorded, such differences impact the period in which the determination is made.

(c) Fair value of derivatives and other financial instruments

The fair value of instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing.

(d) Investment properties

Properties are classified as investment properties if there are significant rentals and the intention is to hold those properties for a significantly longer time than inventory property, i.e. not for sale in the ordinary course of business.

(e) Discounting on deferred consideration of inventories

The Group discounts deferred consideration of inventories by discounted cash flow method, using the cost of debt capital as the discount rate.

CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

Inventories

The Group values inventories at the lower of cost and net realisable value. The net realisable value is based on the judgement of the probability that planning consent will be given for each site. The Group believes that, based on the Directors' experience, planning consent will be given. If planning consent was not achieved then a provision may be required against inventories.

Investments

The Group has entered into a Development Services Agreement with DGVIL. The Directors have considered the requirements of IAS 27 'Consolidated and separate financial statements' (revised 2008) and 'SIC 12 Consolidation – special purpose entities' and do not believe that the Group has the power to control DGVIL. DGVIL makes its own decisions regarding the development of the site even though the director of DGVIL receives property advice to consider and property services from the Group. The Directors also consider that the Group does not have the decision making powers to obtain the majority of the benefits and the risks of the activities of DGVIL as the shareholder of DGVIL maintains control as to whether he finances the deferred land consideration payments. The key requirement in influencing Inland's profit share is the basis on which deferred consideration is satisfied. This is at the discretion of the DGVIL director and hence he can improve his profit share, or allow Inland to arrange the funding. Therefore the Directors do not believe that DGVIL should be consolidated within the Group's financial statements.

The Group is entitled to receive a fee for the provision of planning application services, assistance in obtaining statutory and third party consents, assistance in entering into development and construction agreements, assistance in achieving sales, assistance in engaging professional advisors, seeking opportunities to generate interim revenues and the potential provision of finance to DGVIL in respect of the site known as Drayton Garden Village. Under the agreement the Group has the potential to earn up to 90% of the profits realised from the sale of the property over the life of the project.

Because the final decision on the financial and operational activities of DGVIL reside with the director of DGVIL, the Directors of Inland plc do not consider that they have significant influence over DGVIL and therefore DGVIL is not considered to be an associate.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS continued

CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES continued
At 30 June 2011 the funding arrangements in place for the satisfaction of deferred consideration entitled Inland to 58.19% of the profits expected to be realised from the sale of the property over the life of the project. In accordance with the Option and Development Services Agreement with DGVIL (The Agreement), 51.23% of the total profits would be due to the Group for the provision of planning application and property management services completed at the balance sheet date and this has to be accounted for under IAS 18. 6.96% of the profits would be due to the Group for the provision of finance to DGVIL and would be accounted for under IAS 39 as notional interest income.

In calculating the fee for the provision of planning application and property services to DGVIL recognised in the year under IAS 18 the Group has estimated the following:

- ➔ total profits (total expected sales less total estimated development costs to completion) to be realised from the sale of the property; ➔ profits would be realised over six years from 1 July 2010;
- ➔ percentage, where the stage of completion is an appropriate basis for evaluating fair value, of planning application and property services provided to DGVIL as at the period end with the balance to be provided over the remaining life of the project (i.e. in future accounting periods); and
- ➔ the fair value of completed service components at the year end.

During the year ended 30 June 2011 the Group has recognised £3.77m (2010: £0.8m) in revenue within the Group Income Statement for such services to DGVIL.

In calculating the fee for the provision of finance to DGVIL, under IAS 39 the Group has estimated the following:

- ➔ total profits (total expected sales less total estimated development costs to completion) to be realised from the sale of the property; and ➔ profits would be realised over six years from 1 July 2010.

Under IAS 39 the Group has a choice as to how to account for the asset. The Directors consider the most appropriate classification for the asset to be 'loans and receivables' due to the underlying asset being a 'non derivative' financial asset with fixed or determinable payments. The effective interest rate method has been applied in calculating the income in the period. See Note 17.

During the year ended 30 June 2011 the Group has recognised £0.24m (2010: £nil) within notional interest income in the Group Income Statement in respect of such fees.

The table below shows the revenue and notional interest recognised by Inland under IAS 18 and IAS 39 in comparison to the results recognised by DGVIL on its sales:

	2011 £000	2010 £000
Total revenue and notional interest recognised under IAS 18 and 39	4,217	—
Land sales in DGVIL – year to 30 June 2011 (unaudited)		
Plots sold	148	
Revenue (£000)	15,186	
Gross profit (£000) as per DGVIL's draft accounts	5,278	
Inland's share of fees at 58.19% as per The Agreement (£000)	3,130	

5. EXCEPTIONAL COSTS

The Group conducted a review of the net realisable value of its land bank in view of current market conditions. Where the estimated future net realisable value of the site is less than the carrying value within the Group Statement of Financial Position, the Group has impaired the land value. This has resulted in an impairment of £0.9m (2010: £0.2m) which the Directors do not consider to be exceptional.

Notes to the group financial statements continued for the year ended 30 June 2011

6. INCOME AND SEGMENTAL ANALYSIS

The Group generates income by way of land sales. It also generates income from house building, fees from planning and property management services and other related services. These operating segments are monitored and strategic decisions are made on the basis of segment operating results. The segmental analysis of operations is as follows:

SEGMENTAL ANALYSIS BY ACTIVITY

2010	Revenue £000	Cost of sales £000	Gross profit £000	Admin costs £000	Other £000	Operating profit £000	Finance costs/ income £000	Other £000	Profit before tax £000
Segment									
Land sales	12,837	(10,993)	1,844	—	—	1,844	(324)	—	1,520
House building	2,142	(1,868)	274	—	—	274	—	—	274
Fee income	893	—	893	—	—	893	—	—	893
Rental income	670	(14)	656	—	—	656	—	—	656
Profit on investments	—	—	—	—	321	321	—	—	321
Other	—	—	—	(1,945)	—	(1,945)	(668)	—	(2,613)
	16,542	(12,875)	3,667	(1,945)	321	2,043	(992)	—	1,051
2011									
Segment									
Land sales	9,399	(8,724)	675	—	—	675	(35)	—	640
House building	7,324	(6,629)	695	—	—	695	—	—	695
Fee income	3,975	—	3,975	—	—	3,975	242	—	4,217
Rental income	374	(14)	360	—	—	360	—	—	360
Other property sale	300	(332)	(32)	—	—	(32)	—	—	(32)
Profit on investments	—	—	—	—	46	46	—	—	46
Share of profit of associate	—	—	—	—	—	—	—	132	132
Share of profit of joint venture	—	—	—	—	—	—	—	138	138
Other	—	—	—	(2,207)	—	(2,207)	(446)	—	(2,653)
	21,372	(15,699)	5,673	(2,207)	46	3,512	(239)	270	3,543

All activities arose solely in the United Kingdom.

Transactions with customers making up 10% or more of revenue

	2011 £000	2010 £000
Land sales customer 1	2,347	—
Land sales customer 2	5,000	—
Land sales customer 3	—	5,950
Fee income customer 4	3,930	—
	11,277	5,950

6. INCOME AND SEGMENTAL ANALYSIS continued SEGMENTAL ANALYSIS BY ACTIVITY continued

Segment assets	2011 £000	2010 £000
Land:		
Non-current assets – investment property	8,801	8,801
Non-current assets – deferred tax	4,976	4,452
Current assets – inventories	22,294	29,709
Current assets – other	151	151
	36,222	43,113
House building:		
Non-current assets – deposit match debtor	70	—
Current assets – inventories	1,811	5,462
Current assets – other	8	10
	1,889	5,452
Fees:		
Non-current assets – investment	1,009	729
Current assets – debtor	9,034	4,437
Current assets – other	848	848
	10,891	6,014
Other:		
Non-current assets – investments	2,497	2,289
Non-current assets – other	76	203
Current assets – loan to associate	1,895	1,895
Current assets – other	2,239	2,516
Cash	6,946	7,262
	55,948	61,841
Total segmental and entity assets		

Notes to the group financial statements continued for the year ended 30 June 2011

6. INCOME AND SEGMENTAL ANALYSIS continued SEGMENTAL ANALYSIS BY ACTIVITY continued

	2011 £000	2010 £000
Segment liabilities		
Land:		
Current liabilities – trade creditors	204	220
Current liabilities – loans	2,000	6,170
Current liabilities – other creditors	—	235
Current liabilities – deferred land	—	5,965
	2,204	12,590
House building:		
Current liabilities – trade creditors	163	617
Current liabilities – bank loans	663	3,072
	826	3,689
Fees:		
Current liabilities – trade creditors	35	98
Current liabilities – other creditors	2,915	—
Current liabilities – VAT creditors	1,104	—
	4,054	98
Other:		
Current liabilities – trade creditors	62	275
Current liabilities – other creditors	341	728
	403	1,003
Total segmental and entity liabilities	7,487	17,380

7. EXPENSES BY NATURE

	Note	2011 £000	2010 £000
Depreciation	13	38	34
Operating lease rentals		76	63
Auditor's remuneration:			
– audit		35	35
– non-audit		28	31
Cost of sales		15,699	12,875
Other expenses		2,030	1,782
Total		17,906	14,820
Classified as:			
– cost of sales		15,699	12,875
– administrative expenses		2,207	1,945
		17,906	14,820

Included within Revenue is rental income from investment property of £374,000 (2010: £663,000).

8. DIRECTORS AND EMPLOYEES

The employee benefit expense during the year was as follows:

	2011 £000	2010 £000
Wages and salaries	1,197	1,020
Social security costs	145	126
Pension costs – defined contribution plans	77	71
	1,419	1,217

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

	2011 Number	2010 Number
Management	4	3
Administration	9	8
	13	11

Remuneration in respect of Directors was as follows:

	2011 £000	2010 £000
Wages and salaries	604	548
Social security costs	74	68
Fees	55	55
Pension costs – defined contribution plans	50	45
	783	716

During the year one Director participated in a money purchase pension scheme. Mr P Brett was appointed to the Board on 3 October 2011. His emoluments and pension are not included above as he did not serve as a Director during the year.

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

	2011 £000	2010 £000
Emoluments	328	297

Further information in respect of AIM rules regarding Directors' remuneration disclosures can be found in the Directors and their interests section of the Directors' Report.

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

	2011 £000	2010 £000
Wages and salaries	795	728
Social security costs	98	91
Pension costs – defined contribution plans	67	62
Share-based payment	181	149
	1,141	1,030

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

	As at 30 June 2011	As at 30 June 2010
	Number of deferred shares	Number of share options
	980	4,100,000
Key personnel and Directors	980	1,100,000

Notes to the group financial statements continued for the year ended 30 June 2011

9. FINANCE COST

	2011 £000	2010 £000
Interest expense:		297
– bank borrowings	215	—
– other loan interest	161	145
– deferred land payments	91	324
– notional interest on deferred consideration	—	365
– costs associated with arrangement of new facilities	110	365
	577	1,131

10. FINANCE INCOME

	2011 £000	2010 £000
Other interest receivable	130	138
Bank interest receivable	1	1
Notional interest	207	—
	338	139

11. INCOME TAX

	2011 £000	2010 £000
Tax charge on associate and joint venture profits	74	(141)
Deferred tax credit	(379)	(141)
	(303)	(141)

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

	2011 £000	2010 £000
Profit before tax	3,543	1,051
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2010: 28%)	992	294
Expenses not deductible for tax purposes	35	28
Other timing differences	109	—
Utilisation of tax losses	(1,439)	(465)
Losses not recognised	—	2
Tax credit	(303)	(141)

12. EARNINGS AND NET ASSET VALUE PER SHARE

BASIC AND DILUTED EPS
Basic and diluted earnings per share is calculated by dividing the earnings attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	2011	2010
Profit attributable to equity holders of the Company (£000)	3,846	1,192
Net assets attributable to equity holders of the Company (£000)	48,481	44,461
Weighted average number of ordinary shares in issue (000)	182,999	174,965
Dilutive effect of options (000)	2,575	—
Weighted average number of ordinary shares used in determining diluted EPS (000)	185,574	174,965
Basic earnings per share in pence	2.10p	0.68p
Diluted earnings per share in pence	2.07p	0.68p
Net asset value per share in pence	26.49p	24.30p

13. PROPERTY, PLANT AND EQUIPMENT

	Investment property £000	Leasehold property £000	Motor vehicles £000	Office equipment £000	Fixtures and fittings £000	Total £000
Cost or fair value						
At 30 June 2009	8,801	—	49	37	56	142
Additions	—	5	—	1	5	11
At 30 June 2010	8,801	5	49	38	61	153
Additions	—	—	—	37	19	56
At 30 June 2011	8,801	5	49	75	80	209
Depreciation						
At 30 June 2009	—	—	13	23	25	61
Depreciation charge	—	1	12	9	12	34
At 30 June 2010	—	1	25	32	37	95
Depreciation charge	—	1	13	8	16	38
At 30 June 2011	—	2	38	40	53	133
Net book value						
At 30 June 2011	8,801	3	11	35	27	76
At 30 June 2010	8,801	4	24	6	24	58
At 30 June 2009	8,801	—	36	14	31	81

All freehold property is stated at revaluation.

The investment property was valued by Edward Symmons & Partners in August 2006 in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. Investment property continues to be held by the Group for long-term investment. The property is recorded as an investment property and is valued by the Directors on a deemed cost basis at £8,801,000, which was the fair value of the property on acquisition. The investment property is not depreciated. The Directors do not consider the current fair value to be significantly different to the carrying value.

The historical cost of the investment property at 30 June 2011 as noted in Poole Investments plc's (Poole) financial statements is £1,252,000 (2010: £1,252,000).

The direct operating expenses for the period arising from the investment property that generated rental income was £13,000 (2010: £13,000). There are no investment properties that did not generate rental income during the period.

The investment property is currently let on monthly rolling licences generating approximately £4,000 per month.

Notes to the group financial statements continued for the year ended 30 June 2011

14. INVESTMENTS

	Associate £000	Option £000	Investment in venture £000	Total £000
Cost or fair value				
At 30 June 2007	—	250	—	250
Additions	—	250	2,269	2,519
Fair value adjustment	—	229	—	229
At 30 June 2010	—	729	2,269	2,998
Additions	—	250	33	283
Share of profit after tax	9%	—	99	195
Fair value adjustment	—	30	—	30
Movement during the year to 30 June 2011	9%	280	132	508
Net book value				
At 30 June 2011	9%	1,009	2,401	3,506
At 30 June 2010	—	729	2,269	2,998

In December 2005, Inland plc invested £200,000 in its associate, Howarth and in return received ordinary shares amounting to 10% of the issued share capital of Howarth. In January 2008, Inland plc made a further investment of £359,000 in Howarth to increase its interest to 15% of the issued share capital of Howarth. Inland plc also subscribed for £800,000 convertible loan stock which was converted on 31 July 2009 into 864,580 ordinary shares, thus increasing Inland's interest to 33% of the issued share capital of Howarth. A provision of £1,426,000 was made against the equity investment in Howarth and the convertible loan stock during the year ended 30 June 2009. During the year ended 30 June 2011 £96,000 (2010: £nil) was recognised in the Group Income Statement, being the Group's 33% share of profits after tax reported by Howarth. The provision will be reversed when Howarth demonstrates a sustainable future profit stream.

On 18 December 2008, Inland entered into an Option and Development Services Agreement with Drayton Garden Village Limited (DGVLL) which granted Inland Homes Limited an option for a consideration of £250,000 to purchase the share capital of DGVLL at an exercise price of £1. The initial period of the option was for one year from the date of the agreement and this can be extended on up to four occasions to a maximum period of ten years by making further payments. During the year ended 30 June 2010 and 2011, the option period was extended by a further period of two years in consideration of two payments of £230,000. In accordance with the Group's accounting policy for financial assets, the option has been measured at fair value at 30 June 2011, which resulted in a fair value adjustment of £30,000 (2010: £225,000) that has been recognised in the Group Income Statement over and above the actual consideration paid for the option. The option is not currently exercisable and only becomes exercisable when the development owned by DGVLL is completed.

During the year ended 30 June 2010, the Group entered into a joint venture with Howarth for the development of 51 units at a site in Croxley Green, Hertfordshire in a company called Harvey Road (Rickmansworth) Limited. The Group has invested £2,302,000 (2010: £2,269,000). Although Howarth owns 100% of the issued share capital, Harvey Road (Rickmansworth) Limited, Inland Directors constitute 50% of the Board of Directors and therefore control 50% of the entity and Inland is entitled to 50% of the profits made by the entity. The Group's 50% share of the profits after tax to 30 June 2011 amounts to £99,000 that has been recognised in the Group Income Statement.

At 30 June 2011 the Company held or potentially held 10% or more of the equity of the following:

Company name	Country of registration	Principal activity	Holding	Class of shares
Inland Homes Limited	England & Wales	Real estate development	100%	Ordinary
Poole Investments plc	England & Wales	Real estate investment	100%	Ordinary
Inland Housing Limited	England & Wales	Real estate development	100%	Ordinary
Inland Finance Limited	England & Wales	Provision of alternative finance	100%	Ordinary
Inland Developments Limited	England & Wales	Real estate development	100%	Ordinary
Howarth Homes plc	England & Wales	Housebuilder	33%	Ordinary

14. INVESTMENTS continued

The Group's share of the results and its share of assets of its associate for the 11 months to 30 June 2011 are as follows:

Name	Country of incorporation	Assets £000	Liabilities £000	Revenue £000	Profit after tax £000	% held
Howarth Homes plc	England & Wales	3,428	2,811	6,777	84	33

The financial statements of Howarth are prepared to 31 July each year. The Group has used the management accounts of Howarth for the year to 30 June 2011 to account for its share of results.

15. DEFERRED TAX

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

At 1 July 2010	£000
Income statement credit	4,597
Adjustment in respect of corporation tax to 26%	693
At 30 June 2011	(314)
At 30 June 2011	4,976

The movement in deferred tax assets is as follows:

	Accelerated tax depreciation £000	Losses £000	Other £000	Total £000
At 1 July 2010	(7)	3,612	992	4,597
Credited/(charged) to income statement	5	483	(109)	379
At 30 June 2011	(2)	4,095	883	4,976

The deferred tax asset is recoverable as follows:

Deferred tax asset to be recovered after twelve months	2011 £000	2010 £000
	3,225	4,597

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets on losses of £nil (2010: £5,800,000) that can be carried forward against future taxable income. The Group has capital losses amounting to £20,449,000 (2010: £19,983,000) that have not been recognised as the Directors consider the realisation of the losses is not expected to crystallise in the future.

16. INVENTORIES

Stock and work in progress	2011 £000	2010 £000
	24,105	35,151

During the year a total of £15,699,000 (2010: £12,747,000) of inventories was included in the Group Income Statement as an expense. The Group conducted a review of the net realisable value of its land bank in view of current market conditions. Where the estimated future net realisable value of the site is less than the carrying value within the Group Statement of Financial Position, the Group has impaired the land value. This has resulted in an impairment of £0.9m (2010: £0.2m). Included in the value of inventories above is £8.1m (2010: £15.1m) which is carried at fair value less costs to sell (net realisable value). The amount of inventories pledged as security against borrowings is £9.6m (2010: £34.8m).

Notes to the group financial statements continued for the year ended 30 June 2011

17. TRADE AND OTHER RECEIVABLES

	2011 £000	2010 £000
Prepayments and accrued income	1,073	976
Other receivables	9,226	4,715
Other receivables due in more than one year	70	—
	10,369	5,691

The carrying value of trade and other receivables is considered a reasonable approximation of fair value. No trade receivables are considered to be impaired. There were no unimpaired trade receivables that were past due at the reporting date.

Other receivables includes an amount of £5.0m (2010: £4.2m) accrued in respect of costs and sales invoices that will be reimbursed by DGVL. The carrying value is considered a reasonable approximation of fair value.

Other receivables includes an amount for £3.2m (2010: £3.0m) lent to DGVL in respect of financing arrangements referred to in Note 4 'Critical judgements in applying the entities accounting policies'.

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

18. LOAN TO ASSOCIATE

	2011 £000	2010 £000
Advances to associate	1,895	1,895

The Company has granted a secured rolling facility of up to £2,000,000 to its associate.

19. LISTED INVESTMENTS HELD FOR TRADING

	2011 £000	2010 £000
At 1 July 2010		131
Sales:		(146)
– proceeds		16
– realised gains		—
At 30 June 2011	1	1

20. CASH AND CASH EQUIVALENTS

	2011 £000	2010 £000
Cash at bank and in hand	2,239	2,519

21. SHARE CAPITAL

	2011 £000	2010 £000
Authorised	23,999	23,999
239,990,000 (2010: 239,990,000) ordinary shares of 10p each	1	1
1,000 (2010: 1,000) redeemable shares of £1 each	24,000	24,000

21. SHARE CAPITAL continued

	2011 £000	2010 £000
Allotted, issued and fully paid	18,300	18,300
182,999,484 (2010: 182,999,484) ordinary shares of 10p each	1	1
980 (2010: 980) redeemable shares of £1 each	—	—
180 (2010: 180) deferred shares of 10p each	18,301	18,301

Inland currently holds 1,325,000 (2010: 1,325,000) of its own shares in treasury.

The redeemable shares are not entitled to receive any dividends and carry one vote per share in general meetings. On a return of capital, the holders of redeemable shares will receive £1 per share unless the conditions described below are met, in which event the entitlement of holders of redeemable shares will be enhanced as described below.

In the event that: (i) the return to holders of ordinary shares (calculated as dividends received, together with the increase in share price over 50p exceeds 10% per annum compounded annually); and (ii) the relevant holder of redeemable shares has not voluntarily ceased to be employed by or engaged to provide services to the Company or any Group company or been dismissed for cause then the following provisions will apply:

- (i) on a takeover (including a takeover effected by a scheme of arrangement) the holders of the redeemable shares will become entitled to redeem their shares at a price which is calculated so as to attribute to all the redeemable shares the difference between the takeover offer price per share and 35p (or such other sum as is agreed with HM Revenue & Customs) multiplied by 11,123.49%, or
- (ii) on a winding up, the assets attributable to the redeemable shares will (likewise be calculated to be such amount as would represent the difference between the amount attributable to each ordinary share and 35p (or such other sum as is agreed with HM Revenue & Customs) multiplied by 11,123.49%.

According to the Company's Articles of Association, the redeemable shares can convert into deferred shares of 10p each. The deferred shares shall not confer the right to be paid a dividend or to receive notice of or attend or vote at a general meeting. On a winding up, after the distribution of the first £10,000,000 of the assets of the Company, the holders of the deferred share (if any) shall be entitled to receive an amount equal to the nominal value of such deferred shares pro rata to their respective holdings.

The Company operates an unapproved share option scheme. Awards under each scheme are made periodically to employees. Share options vest three years after the date of grant and have an exercise period of seven years. The schemes are all cash-settled.

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

	Share options issued at grant	Share options issued at grant	Share options issued at grant	Redeemable shares
Expected life of options based on options exercised to date	3 years	3 years	3 years	5 years
Volatility of share price	76%	69%	30%	30%
Dividend yield	0%	0%	0%	0%
Risk free interest rate	2.05%	2.11%	5.38%	5.38%
Share price at date of grant	18.5p	16.5p	50.0p	35.0p
Exercise price	18.5p	16.5p	50.0p	35.0p
Fair value per option	£0.09	£0.05	£0.08	£0.07

The charge calculated for the year ended 30 June 2011 is £186,000 with a corresponding deferred tax asset at that date of £52,000.

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

Notes to the group financial statements continued for the year ended 30 June 2011

21. SHARE CAPITAL continued

A reconciliation of option movements over the year ended 30 June 2011 is shown below:

	Option exercise price	Number	Exercise price
		000s	50p
Outstanding at 30 June 2009		860	50p
Granted during the year	16.5p	830	16.5p
Outstanding at 30 June 2010		1,690	
Granted during the year	18.5p	3,000	18.5p
Outstanding at 30 June 2011		4,690	
Exercisable at 30 June 2011 and 30 June 2010		860	

There were 3,000,000 options granted during the year.

At 30 June 2011 outstanding options granted over 10p ordinary shares were as follows:

Share option scheme	Option exercise price	Number	Dates exercisable
Company unapproved	50.0p	860,000	28 March 2010 to 27 March 2017
Company unapproved	16.5p	830,000	17 December 2012 to 16 December 2019
Company unapproved	18.5p	3,000,000	22 November 2013 to 21 November 2020

22. MOVEMENT ON RESERVES

	Share premium	Treasury shares	Profit and loss account	Other reserves
	£000	£000	£000	£000
At 1 July 2009	45,184	(366)	(15,848)	(4,806)
Profit for the year	—	—	1,192	—
Share-based compensation	—	—	182	—
Reserves transfers	—	—	(4,806)	4,806
Shares issued during the year	622	—	—	—
At 30 June 2010	45,806	(366)	(19,280)	—
Profit for the year	—	—	3,846	—
Share-based compensation	—	—	186	—
Share issue expenses for shares issued in prior year	(12)	—	—	—
At 30 June 2011	45,794	(366)	(15,248)	—

23. TRADE AND OTHER PAYABLES

	2011	2010
	£000	£000
Trade payables	444	1,210
Other creditors	2,996	271
Social security, other taxes and VAT	1,124	213
Accruals and deferred income	240	479
	4,824	2,173

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

24. OTHER FINANCIAL LIABILITIES

	2011	2010
	£000	£000
Deferred purchase consideration on inventories falling due within one year	—	5,965

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. The lack of availability of bank funding has resulted in the Group seeking finance from alternative lending sources to improve liquidity.

25. CONTINGENCIES

The Group has the following contingent liabilities:

- upon the sale of an investment property, a payment of £550,000 is due to two parties;
 - a subsidiary undertaking, Poole Investments plc, ceased to participate in its operating subsidiary's pension scheme when it disposed of former subsidiaries in May 2004. The Scheme's principal employer, Pilkington's Tiles Limited went into administration on 14 June 2010 and as a result Poole may be liable for a share of the cost of securing the liabilities of the Scheme pertaining to its two former employees should there be a deficit on the Scheme's fund. The Directors consider that, as at the balance sheet date, material uncertainty exists over the basis and calculation of any obligation that may fall due to Poole. Advice is being sought to clarify the Company's position. A provision has therefore not been made in the financial statements as the basis of any provision cannot be reliably established; and
 - Inland plc has guaranteed the obligations of Howarth Homes plc to Investec Bank plc in respect of cost and interest overruns in relation to the borrowings of the joint venture with Howarth for the site at Croxley Green, Hertfordshire. The potential exposure is limited to £1m.
- No provisions have been made in these financial statements in respect of these contingent liabilities.

26. COMMITMENTS

The Group leases an office and some plant and machinery under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2011	2010
	£000	£000
Expiring not later than one year	—	—
Expiring later than one year and not later than five years	203	267
Expiring later than five years	—	—

The rental contract for the office building rented since 28 April 2009 at 2 Anglo Office Park, 67 White Lion Road, Amersham HP7 9FB has a non-cancellable term of five years.

27. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's objectives when managing capital are:

- to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to ensure sufficient liquid resources are available to meet the funding requirement of its projects and to fund new projects where identified.

This is achieved through ensuring sufficient bank and other facilities are in place and further details are given in Note 28 of 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.

Notes to the group financial statements continued for the year ended 30 June 2011

27. CAPITAL MANAGEMENT POLICIES AND PROCEDURES continued

The movement in the capital to overall financial ratio is shown below. The target capital to overall financing ratio has been set by the Directors at 50% and results over this amount are considered to be a good performance against the target.

	2011 £000	2010 £000
Equity	48,481	44,461
Less: cash and cash equivalents	(12,239)	(2,519)
Capital	46,242	41,942
Equity	2011 £000	2010 £000
Borrowings	48,481	44,461
	2,663	9,242
Overall financing	51,144	53,703
Capital to overall financing	90.4%	78.1%

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

28. FINANCIAL ASSETS AND LIABILITIES

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

	Note	2011 £000	2010 £000
Financial assets			
Listed investments held for trading	19	1	131
Loans and receivables			
Loan to associate	18	1,895	1,895
Trade and other receivables	17	9,296	4,715
Cash and cash equivalents	20	2,239	2,519
		13,430	9,129
Financial liabilities			
Financial liabilities designated fair value through profit or loss:			
– current borrowings		2,663	9,242
Financial liabilities measured at amortised cost:			
– trade and other payables	23	4,584	1,694
– other financial liabilities	24	—	5,965
		4,584	7,659

The fair values are presented in the related notes.

During the year ended 30 June 2011 the Group entirely repaid its revolving credit facility (2010: £4.2m). Current borrowings consist of a revolving loan facility of £3.9m, of which £0.47m (2010: £3.1m) is drawn down. The loan facility is further loan of £2.0m secured against land (2010: £nil). The housebuilding loan facility was due for repayment by 30 September 2011 and the other loan by 17 December 2011. The loans attract interest of between 8% and 15% per annum.

28. FINANCIAL ASSETS AND LIABILITIES continued

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

	2011		2010	
	Trade and other payables £000	Deferred purchase consideration £000	Trade and other payables £000	Deferred purchase consideration £000
Less than one year	6,123	—	10,725	6,000
Between one and two years	—	—	—	—
	6,123	—	10,725	6,000

The Group adopted the amendments to IFRS 7 Improving Disclosures about Financial Instruments effective from 1 January 2009. These amendments require the Group to present certain information about financial instruments measured at fair value in the Group Statement of Financial Position.

The following table presents financial assets and liabilities measured at fair value in the Group Statement of Financial Position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

	Note	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Net fair value at 1 July 2010	28(A)	131	—	—	131
Sales:					
– proceeds		(146)	—	—	(146)
– realised gains on sales		16	—	—	16
Net fair value at 30 June 2011		1	—	—	1

(A) LISTED SECURITIES AND DEBENTURES

All the listed equity securities and debentures are denominated in Sterling and are publicly traded in the United Kingdom. Fair values have been determined by reference to their quoted mid prices at the reporting date.

Notes to the group financial statements continued for the year ended 30 June 2011

29. RELATED PARTY TRANSACTIONS

As at 30 June 2011 there was a sum due from Howarth amounting to £1,895,000. This is included within loan to associate and is in respect of a rolling facility provided to Howarth for a maximum balance of £2,000,000. The balance outstanding attracts interest of 8% per annum above the National Westminster Bank plc base rate for the first £1,000,000 and 15% per annum on amounts over this. The interest received from Howarth for the year ended 30 June 2011 amounted to £130,000.

During the year ended 30 June 2011, Howarth carried out construction work on sites owned by the Group. The total amount, charged on an arm's length basis by Howarth for this work, was £1,399,000.

During the year ended 30 June 2010 the Group entered into a joint venture with Howarth for the development of 51 units at a site in Croxley Green, Hertfordshire. At 30 June 2011 the Group had invested £2,302,000. The Group's 50% share of profit after tax to date amounts to £99,000 that has been recognised in the Group Income Statement.

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

	2011 £000	2010 £000
Net assets	158	83
Net result	99	—

30. COMPANY INFORMATION

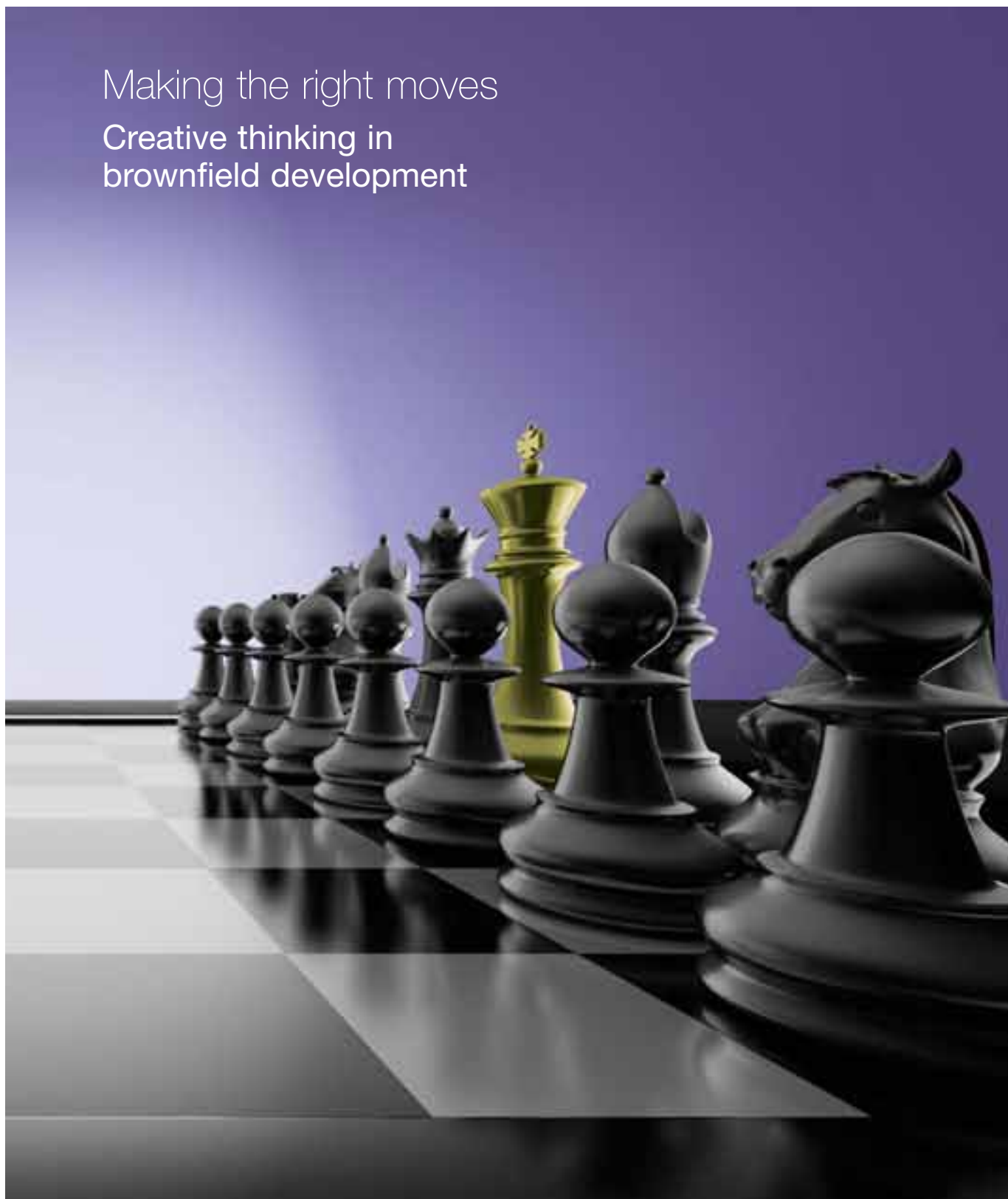
The Company is a public limited company registered in England and Wales. The registered office and principal place of business is 2 Anglo Office Park, 67 White Lion Road, Amersham, Buckinghamshire HP7 9FB.

The principal activity of the Group is to acquire, residential and mixed use sites and seek planning consent for development. The Group also develops a number of plots for private sale.



Annual Report and Accounts
for the year ended 30 June 2012

Making the right moves
Creative thinking in
brownfield development



Inland Homes plc is a leading brownfield regeneration specialist. We specialise in buying brownfield sites and enhancing their value through obtaining planning permissions for residential and mixed use developments.

Inland's highly experienced land team has extensive knowledge of the complexities of the planning system which in turn enables it to unlock added value in property that others cannot.

We recognise the significant impact our activities can have on the environment and the communities in which we work.

We believe that managing these activities responsibly brings long term benefits to our shareholders as well as our stakeholders.

At the heart of our business is the principle of sustainability - the need to conserve scarce resources for the benefit of future generations.

Sustainability is at the heart of everything we do.

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Highlights

Pre-tax profit:
£1.6m
(2011: £3.5m)

Earnings per share:
0.41p
(2011: 2.10p)

Net assets:
£49.4m
(2011: £48.5m)

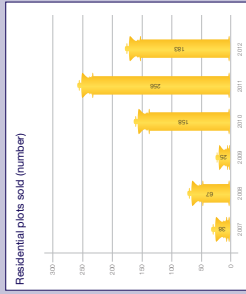
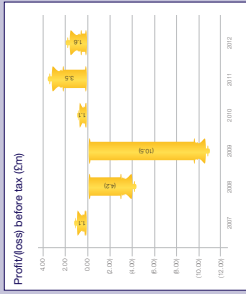
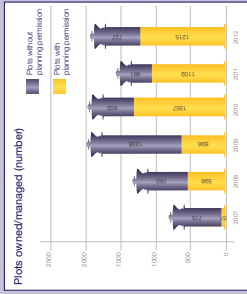
Net asset value per share:
27.0p
(2011: 26.5p)

Proposed maiden dividend per share:
0.067p

Land portfolio
The land portfolio consists of 1,940 plots across the south of England, controlled or managed by Inland.



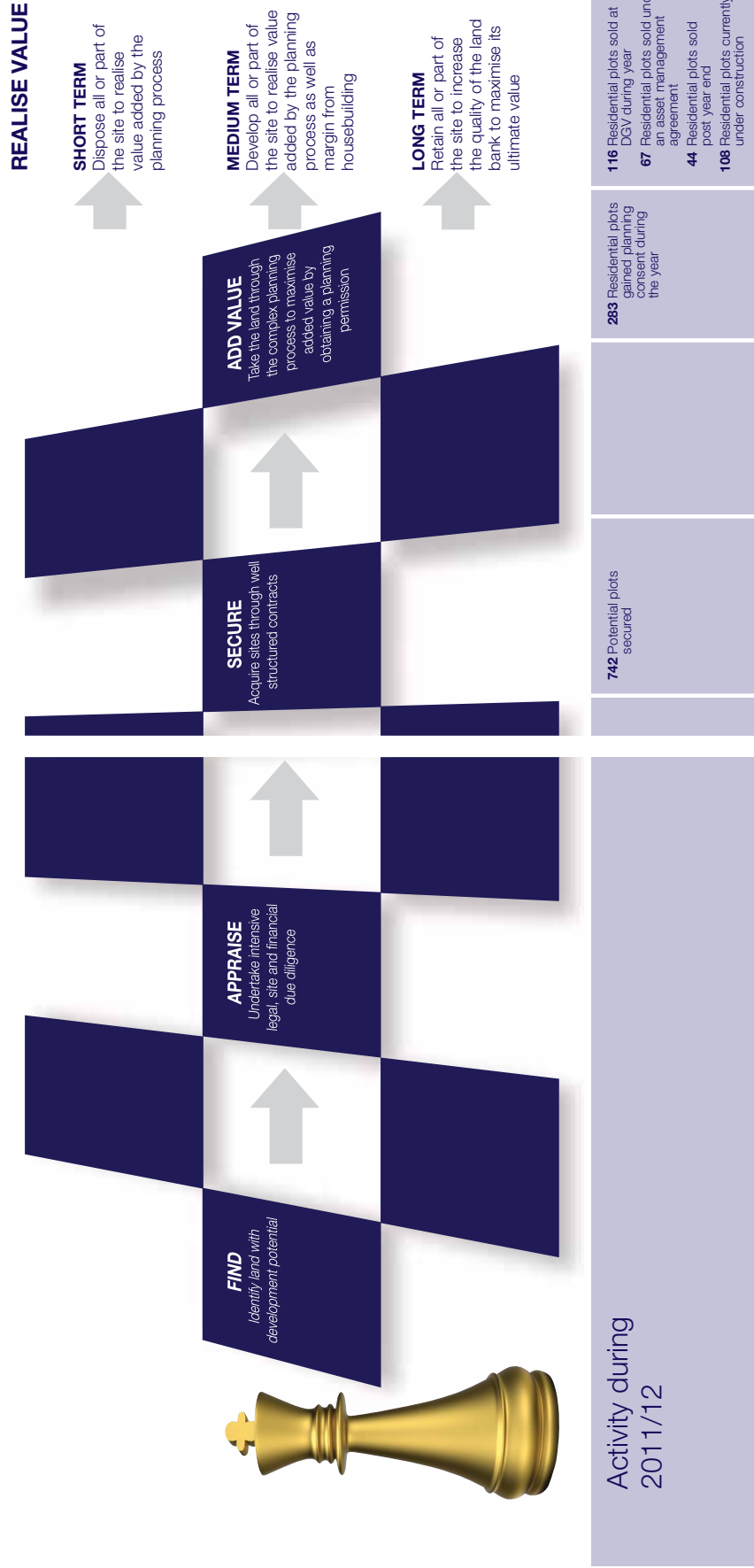
- Land portfolio of 1,940 plots
- 1,215 of which are consented
- Sites include 220,000 sq ft of commercial space
- Annual rental income of £308,000



Our business strategy

As a leading regeneration specialist, we add short, medium and long term value by taking land through the planning process for the benefit of shareholders.

Value creation through responsible development



Q&A with the Chief Executive



Stephen Wicks

Q1. Why did you structure the purchase of Drayton Garden Village in an off balance sheet vehicle?

A. Contracts to purchase Drayton Garden Village for £24.25m were exchanged in December 2008 at the depths of the financial crisis with a substantial amount of the consideration deferred for four years. In order to protect the Group from this potential liability the Board approved a purchase that was non-recourse to the Group.

Q2. What will be the growth drivers in the short term?

A. I believe that the Group's growth in the short term will come from the realisation of cash from our projects in Farnborough, Poole and Ashford which we will reinvest into new opportunities that we are working on.

Q3. What do you think about the government's current plans for the planning system?

A. Until planning decisions are made by people that are not involved in politics, local government will take little heed of pronouncements made by central government.

Q4. There has been a recent focus on housebuilding – do management believe this will become an even more significant part of the business in the short and medium term?

A. The current strategy is to increase our housebuilding activity by developing some of our land bank. This will enable us to capture the development margin of those projects. However, the major part of our business will continue to focus on increasing the number of plots within our land bank, which will include disposals of some plots. Housebuilding activities also enables us to attract mainstream funding and improve our cash flow.

Q5. How does Inland plan to grow the underlying net asset value over the next few years?

- A. The underlying net asset value will increase by a combination of:
- Extracting some of the development margin from the plots within our land bank as a contribution towards our overheads
 - Realising value from the sites purchased prior to the financial crisis
 - Securing new land opportunities to add value through the planning process.

We also expect to carry out joint ventures with major housebuilders on a number of key sites.



04



Nishith Made

Q&A with the Financial Director

Q1. As a relatively small company how have you managed to raise funds over the last few years?

A. We keep a very tight control over our cash resources and match receipts against expenditure very carefully. Cash realised from asset sales is then re-invested in new projects. Vendor financing is a significant feature of our land purchase programme. We also have access to a number of facilities from high net worth individuals.

Q2. How did you determine the level of the proposed dividend?

A. The Board discussed the proposed dividend at length and the conclusion was to commence a progressive dividend stream that is not necessarily dictated by the level of profits, as the value of the business is based on the underlying worth of its assets. The dividend will demonstrate that the Directors have confidence in the Group's future cash flows. It is important to note that cash generated by the business will be re-invested into new opportunities to enhance the value for shareholders.

Q3. Why is the effective tax charge 52.5% of pre-tax profits?

A. The effective tax charge appears to be high due to the release of £382,000 of deferred tax asset to the income statement as a result of the reduction in the corporation tax rate from 26% to 24%.

Q4. How much of the profits from Drayton Garden Village have already been recognised in Inland?

A. Inland has recognised a cumulative total of £7.9 million as revenue and notional interest within its Income Statement.

Q5. How do you feel the share price has performed?

A. It is disappointing that Inland's shares have been trading at a significant discount to its net asset value during the last few years. Investor uncertainty over the off balance sheet treatment of DGV, lack of dividend payments and the global financial uncertainty have all had an impact. To counter these, we have made detailed disclosures on the financial effects of the DGV arrangement; proposed our maiden dividend; and we are using alternative methods of funding land purchases in order to reduce our reliance on banks. This has resulted in our share price growing from a low of 6p in December 2008 to an average of approximately 20p more recently – a rise in excess of 230%. What is interesting is that our share price relative to our peers shows a similar trend.



05

Chairman's statement



“The year's focus has been on improving the quality of our land holdings by acquiring or controlling new sites, re-negotiating planning agreements and securing further consents.”



I am pleased to report that the Group has made positive progress across the various facets of its business, which is reflected in the continuing growth in our land bank and the additional consents which have been secured on the back of on-going strong demand for housing land in the South of England.

As shareholders are also aware, it is the Board's objective to maximise the value of each land sale and not to take a reduced consideration just to suit financial reporting periods. With this policy in mind, a land sale that was expected to generate a profit contribution of approximately £2.0 million in the year ended 30 June 2012 did not conclude as originally anticipated prior to the year end. In relation to this transaction, negotiations continue with a potential buyer and we hope to report a conclusion on this sale in the near future.

As announced in July 2012, whilst Inland's profit expectation for the year under review was adjusted accordingly, this has not had any impact on the Group's underlying net asset value which remains robust.

Although during the twelve month period the Group did not conclude the sales of any building plots and completed only nine residential unit sales compared to 35 in the previous year, I am pleased to report that since the start of the new financial year we have completed the sale of 44 plots to a national housebuilder at our Queensgate development for a consideration of £3.14 million and contracts have been issued for the sale of a further 283 plots on 3 other sites. We have also completed the sale of 14 residential units since the year end.

Adding value through the expansion of our housebuilding programme



Landmark development of apartments at Queensgate in Farnborough

Chairman's statement (continued)

Financial results

Consequently, as a result of the above factors, turnover from land and house sales, rental income and project management fees in the year was £6.1 million (2011: £21.4 million). Operating profit was £1.1 million (2011: £3.5 million) and profit before tax was £1.6 million (2011: £3.5 million). Earnings per share was 0.41 pence (2011: 2.10 pence) whilst net asset value per share increased to 27.0 pence (2011: 26.5 pence).

Once again, these financial results exclude any future value from the Drayton Garden Village (DGV) development services agreement where Inland expects to secure 90% of the profit from this project.

During the period Drayton Garden Village Ltd (DGV) sold 116 plots and some land with planning consent for an 80 bed nursing home for a total consideration of £8.5 million. The Directors believe that Inland's share of the future profits from this project could be in the order of £13.0 million which is equivalent to 5.0 pence per ordinary share net of tax. These projections are based on selling serviced plots to UK housebuilders and may be substantially enhanced if DGV was to build our parts of the site. In addition to the 116 plots sold at DGV, the Group sold a further 67 consented plots on behalf of a client under an asset management agreement.

Dividend

The Board is proposing to recommend a maiden dividend of 0.067 pence per share. If approved by shareholders at the Annual General Meeting on 27 November 2012, the final dividend will be paid on 17 December 2012 to members on the register at the close of business on 16 November 2012. The ex-dividend date will be 14 November 2012.

Operational review

HOUSEBUILDING - A key focus of the Group has been to increase our housebuilding programme. This enables Inland to capture the development margin on projects, thereby enhancing the overall returns to shareholders.

In light of the success of our embryonic housebuilding programme, we expect to increase this activity by building out part of our land bank as well as continuing to sell consented building land to housebuilders.

Queensgate, Farnborough, Hampshire - During the year nine new homes (2011: 31) were sold for a total consideration of £1.7 million (2011: £6.4 million) at good margins, with a further 14 units completed after the June 2012 year end.

Construction has also commenced on a further phase of 56 units, of which 20 units will be pre-sold to a Housing Association. This will be followed by a further 44 units for which detailed planning consent is currently being sought. The Group has successfully secured a revolving facility of £1.9 million from the Homes and Communities Agency under the 'Get Britain Building' initiative to fund the construction of these homes.

Warwick Gardens, Redhill, Surrey - We have recently opened a show-house and marketing suite for the launch of this new development of 28 units: early indications are encouraging, having received a number of reservations at prices higher than our original expectations.

LAND HOLDINGS Summarising the activities at each of the current key sites:

Drayton Garden Village, West Drayton, Middlesex - Within DGV, consent was originally gained for 773 homes and commercial space. Inland provides significant development services and there have been considerable steps forward during the period under review. Substantial progress has been made with the infrastructure on the site and the state of the art energy centre has been completed and is operational.

Sales at DGV include 88 plots to a private housebuilder, 28 plots for shared-ownership to a Housing Association and the sale of land with planning consent for an 80 bed nursing home.

I am also pleased to report that negotiations are at an advanced stage for the pre-let of a 4,000 sq ft neighbourhood foodstore to a national retailer on this site.

Queensgate, Farnborough, Hampshire - We have successfully re-negotiated the Section 106 Agreement to reduce the affordable housing element down from 35% to 20% and improve the sales mix to reflect current market conditions. Since the year end we sold 44 building plots to a major housebuilder for £3.14 million and completed the sale of 14 residential units. Within Queensgate, Inland has 213 plots remaining.

Asford Hospital, Middlesex - We have successfully negotiated a variation to the Section 106 Agreement that has had the effect of reducing the affordable housing element of the planned scheme from 35% to nil. This is a major step forward and will enable this development of 152 units to commence shortly.

We are in advanced negotiations to embark on a development agreement with a major UK housebuilder on this site, where Inland will provide the consented

land, with our partner managing and funding the construction and the sale of the completed units. If, as we anticipate, this venture proves successful, we intend to use this template to enter into further development projects on other sites in due course.

St John's Hospital, Chelmsford, Essex - Planning permission was secured for 127 homes on the northern section of the development site, of which only 14 will be affordable shared ownership units. We have also completed the purchase of the southern section of the same site, where we will shortly be making a planning application for approximately 100 units including detached houses, some of which will back on to the local golf course.

Carter's Quay, Poole, Dorset - Negotiations are continuing with the Local Authority regarding this site and our current planning application for 268 homes and 108,000 sq ft of commercial space. We expect a decision on this during the current financial year.

Beaconsfield, Buckinghamshire - At the half year, we touched on a significant new opportunity in a prime part of Buckinghamshire where Inland had secured an interest in land of strategic access importance. The Group has purchased 20 acres of land adjoining a site which has been allocated for the development of approximately 300 homes in the local plan.

During the year the land bank was strengthened by 742 new plots and the current land bank comprises:

Owned with consent	706
Drayton Garden Village and other managed sites with consent	509
Owned/contracted without consent (allocated for development)	380
Sites controlled or terms agreed (allocated for development)	347
Total plots:	1,942

Proposed street scene at St John's Hospital in Chelmsford, Essex



Report on Assets and Liabilities Inland Homes plc

PEOPLE - Once again, on behalf of the Board and all Stakeholders, I would like to express appreciation and thanks to the Inland team at all levels for their hard work and dedication in what is a tough and challenging planning and operating environment. Their knowledge and expertise remain an invaluable and important asset that is providing a solid base for the Group's and other Stakeholders' future success.

INVESTMENTS - Our associate company, Howarth Homes plc (Howarth) made progress in the year. Howarth's turnover for the financial year ended 31 July 2012 was £22.4 million (2011: £24.2 million), producing improved pre-tax profits from £0.6 million to £0.8 million. Howarth's current construction order book remains healthy, standing at £41.0 million.

Within our joint development with Howarth at Woodland Chase, Crockley Green, Hertfordshire, 14 homes were sold in the period. The last phase, comprising 12 houses, is now under construction and it is anticipated that this successful development will be fully completed by the next period end.

Outlook

The year's focus has been on improving the quality of our land holdings by acquiring or controlling new sites, re-negotiating planning agreements and securing further consents. We are concentrating on generating cash and profit from the existing land portfolio and adding further value through the expansion of our housebuilding programme. We have a number of current projects at various stages, as well as new opportunities being researched and undertaken; as a Board we remain confident about the future.

Terry Roydon
CHAIRMAN
25 October 2012

Chief Executive's review



“A year of consolidation – during the year our focus was very much on improving the value of our land bank by successfully re-negotiating Section 106 Agreements and achieving further planning permissions.”

Key challenges for this year

- ➔ Securing planning consent at Poole in Dorset
- ➔ Securing planning consent at St John's Hospital (southern section) in Chelmsford, Essex
- ➔ Finalising a joint venture development agreement with a major housebuilder at Ashford Hospital in Middlesex
- ➔ Progressing the Development Brief at Wilton Park in Beaconsfield, Buckinghamshire
- ➔ Continuing the development of Drayton Garden Village in Middlesex

From this solid platform, we expect a substantial increase in activity from our own housebuilding activities, land sales and joint ventures with trade partners.

Inland is firmly established as a specialist in the regeneration of complex brownfield sites in the South of England. Our skill base enables us to evaluate the risk/reward relationship in buying large scale opportunities without consent and improving the value by obtaining commercially viable planning permissions.

As the business has grown, so has our expertise; our model now entails carrying out major infrastructure works, landscaping and installation of combined heat and power systems.

Planning system

Successful outcomes are expected on all of our projects, but timescales within the UK's increasingly complex planning system are difficult to predict. The planning environment continues to evolve and whilst it is encouraging to see housing so high on the political agenda, the 'avalanche' of new initiatives coming forward are potentially counteracting the need to simplify the planning system.

One of the Group's key strengths is its ability to guide schemes through the planning process, managing the many stakeholders and their interests coupled with overcoming environmental constraints.

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Inland Homes plc

Warwick Gardens
REDHILL | SURREY

Show home at Warwick Gardens in Redhill, Surrey

11



Chief Executive's review (continued)

Strategy

Our land bank of more mature projects with consent will enable regular land sales. The growing housebuilding programme, together with planned joint ventures, should enable the Group to have a more conventional 'shape', thus reducing the level of perceived exposure which will assist shareholder perception and understanding of our business model.

We have in the pipeline some sales to major housebuilders and Housing Associations of a substantial number of consented plots that are 'ready for development'. In addition, there has been a significant increase in our own housebuilding programme where we currently have over 100 units within our construction programme with an anticipated gross development value of £18.0 million. These developments include 80 apartments at Queensgate in Farnborough, Hampshire where we recently completed a phase of 15 houses and four apartments, and 14 houses and 14 apartments at Warwick Gardens in Redhill, Surrey.



Show home at Warwick Gardens in Redhill, Surrey

Housebuilding finance of £1.5 million has been drawn down from Close Brothers and a facility of £2.5 million has been approved by Barclays Bank, which we expect to utilise shortly to partly refinance some of the funding from non-banking sources. In addition, the Group has secured a £1.9 million line of funding via the Homes and Communities Agency's 'Get Britain Building' initiative for our Farnborough development.

Finance

As set out in the previous Annual Report and Accounts, we have obtained secured funding from a number of non-banking sources and to date have drawn down in the order of £6.7 million from these facilities.

Since the last year end inventories have increased from £24.1 million to £43.8 million as at 30 June 2012 and there was a corresponding increase in net borrowings from £424,000 to £6.4 million at the balance sheet date, resulting in net gearing of 13.2% (2011: 0.9%).



Recently completed phase of 10 units at Queensgate in Farnborough, Hampshire



Inland Homes plc Report and Accounts 2012

Chief Executive's review (continued)

Key challenges in the current financial year

Securing planning consent at Poole in Dorset

Securing the long overdue consent on our site at Poole in Dorset, where we are inching closer to permission. The delay has been beyond our control due to the Local Authority having to undertake an appropriate assessment of increased nitrogen discharge into Holes Bay. We understand that the local authority has concluded their assessment positively which will enable the application to be considered in the near future. Now that the Twin Sails Bridge has been opened we are keen to progress the regeneration of this site. Carters Quay will include a new neighbourhood of 73 family houses with gardens in pedestrian streets that are well connected to the rest of Hamworthy. The waterside area will be of mixed use with employment spaces to attract new companies to Poole, cafes, restaurants and upper level apartments. Importantly, at last Hamworthy residents will be able to access the waterfront that surrounds them.

Chief Executive's review (continued)

Key challenges in the current financial year (continued)

Securing planning consent at **St John's Hospital** (southern section) in Chelmsford, Essex



Securing consent for St John's Hospital (southern section) where our planning application has recently been submitted for a scheme of 71 houses and 30 apartments. This part of the hospital is adjacent to the local golf course and the scheme design takes advantage of the panoramic views by locating houses along the boundary with an ecological buffer between the development and the golf course. Inland purchased the southern section of the hospital after having earlier acquired the northern section. Consent on the northern section was granted during the year for 127 houses and apartments, and the development will include both new build properties and the conversion of some of the historic buildings.

St John's will have easy access to Chelmsford City Centre with its rich heritage, beautiful green spaces, first class leisure and arts facilities, shopping, dining, vibrant nightlils and excellent road and rail links.



Proposed street scene at St John's Hospital in Chelmsford, Essex



Northern and southern sections of St John's Hospital in Chelmsford, Essex



Chief Executive's review (continued)

Key challenges in the current financial year (continued)

Finalising a development agreement with a major housebuilder at **Ashford Hospital** in Middlesex

Finalising a development agreement with a major housebuilder to develop our site for 152 apartments at Ashford Hospital in Middlesex. This site is close to the A30, M25 and is only two miles from Heathrow Airport. Because of its close proximity to London and good transport links, the area is a popular commuter town. Our development will consist of striking modern buildings which will maximise both the natural light and the westerly views over the reservoir. Two large courtyards will provide an attractive backdrop for the benefit of residents and will include a natural play area where children will be challenged to learn as well as to play safely.



Proposed development at Ashford Hospital in Middlesex

Beaconsfield is located approximately 22 miles west of London and is the largest town in South Buckinghamshire



Progressing the Development Brief at **Wilton Park** in Beaconsfield, Buckinghamshire

Progressing the Development Brief in partnership with the Local Authority and the Defence Infrastructure Organisation on our significant new project at Wilton Park in Beaconsfield, Buckinghamshire. This will be the first step towards securing a formal planning permission. Wilton Park is a defence establishment sitting within a 90 acre site which has been declared surplus to requirements. The site has been allocated within the South Buckinghamshire Local Plan for up to 300 homes and 100,000 sq ft of commercial space. A key part of the allocation is a requirement that the access to the site is via land which has been purchased by Inland.



Wilton Park in Beaconsfield, Buckinghamshire

Chief Executive's review (continued)

Key challenges in the current financial year (continued)

Continuing the development of

Garden Village in Middlesex



Continuing the development of Drayton Garden Village in Middlesex. During the year ended 30 June 2012, we provided a significant amount of services to DGVL, including the procurement of the sale of 116 residential plots and a plot for an 80 bed nursing home. The construction of 236 homes and the nursing home is well under way by the purchasers of the land. The landscaping works and play areas on the village green have now been completed. The main boulevard onto the site and a major part of the spine road have also been finished. Work is due to start on the retail units and estate management centre at the entrance to the development, where negotiations are at an advanced stage for the pre-let of one of the units to a national food retailer. The combined heat and power centre and district heating network are now fully operational and are already providing the first occupants with efficient heat and hot water. The improvement works to a local parade of



Spine Road into Drayton Garden Village

shops will commence in the New Year, which will have a very positive impact on the surrounding area. On behalf of DGVL we are reviewing potential options for the next phase of development at the site.



Spring Green at Drayton Garden Village

First homes occupied at Drayton Garden Village



Proposed direct route at Drayton Garden Village

Chief Executive's review (continued)

Howarth



Development at Minet Drive in Hayes, Middlesex for Paradigm Housing Association

Results
Our associate company, Howarth, is continuing to make good progress. Due to the increase in their profitability we have reversed £500,000 of the impairment on our investment. Howarth is developing 80 plots on 9 sites for private sale in the South East, including projects in Chesham and Farnham Common in Buckinghamshire, Northwood in Middlesex, Rickmansworth in Hertfordshire and Kensington in London as well as our joint venture in Croxley Green in Hertfordshire. They are also constructing 165 plots on behalf of third parties including housing associations.

Prize winning staff
I should like to congratulate Howarth's Mr Geoff Turner who won the NHEC 'Pride in the Job' and 'Seal of Excellence' awards in the London and South East Region for medium sized housebuilders as a result of his work on Minet Drive in Hayes, Middlesex - a site being constructed for Paradigm



Joint venture development at Woodland Chase in Croxley Green, Hertfordshire

Successful joint venture at Woodland Chase

Housing Association. Inland obtained the planning consent and sold the site to Paradigm HA during the year ended 30 June 2011. The achievement of Geoff and the team at Minet Drive is testament both to their hard work and to the quality centred cultures at Howarth and Inland.

Woodland Chase

Our joint venture with Howarth at Woodland Chase in Croxley Green, Hertfordshire is well advanced on the final phase of 12 houses backing onto the woodland. Each home on this luxury development has been designed in response to how people live today and has been given individual character by using different, but complimentary exteriors across the site. Having repaid the loan from Investec Bank in April 2012, the development was refinanced by Close Brothers in July 2012, enabling the repayment of part of our investment.



Chief Executive's review (continued)

Our charity work

The Group is a keen supporter of various charities and is proud to have supported the British Institute of Brain Injured Children (BIBIC), Make a Wish Foundation and Jungle City, a 100% charitable event which supports the work of seven UK conservation charities.

I should like to extend my special thanks to the seven members of the Inland Team who undertook the Three Peaks Challenge, a gruelling climb of the three highest peaks in England, Scotland and Wales in 24 hours. They achieved this in June 2012, overcoming torrential rain and freezing conditions at the summits, and raised an impressive £38,000 for BIBIC. This is a national charity offering practical help to families caring for children with conditions such as autism, cerebral palsy, Down's syndrome, developmental delay, brain injury, ADHD, dyslexia and dyspraxia.



One of Jungle City's brightly painted sculptures used to raise awareness for their survival



The Inland team: Paul Brett, Rob Williams, Nish Maids, Matt Corcoran, Pedro Longras, Des Wicks & Mark Gawn



Show home at Queensgate in Farnborough, Hampshire

Summary and prospects

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

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



Proposed street scene at Warwick Gardens in Rehill, Surrey



For more information about Inland visit:
www.inlandplc.com and www.inlandhomes.co.uk

Stephen Wicks
Chief Executive
25 October 2012

Directors



Terry Roydon, Non-executive Chairman aged 65 holds a BSc in Estate Management from the University of London and a Masters in Business Administration from the University of Pittsburgh. He was previously Chief Executive of Prowing plc, a UK housebuilder, which he led to flotation on the London Stock Exchange in 1988. The company was subsequently purchased by Westbury plc in June 2002 for £140m. Since 1998, Mr Roydon has been a consultant and member of the board of Dom Development S.A., a major quoted Polish residential developer, together with a number of non-executive and consultancy positions in the UK and continental housebuilding companies, including holding non-executive board positions with AIM quoted Kimbary Resources N.V., Country & Metropolitan plc (until 2005), Gladeale Holdings plc (until March 2007) and Larkfleet Limited (until May 2011). From 1995 to 1997 he was President of the European Union of Housebuilders and Developers.



Stephen Wicks, Chief Executive aged 61 was the founding shareholder and Chief Executive of Country & Metropolitan plc, which floated on the main market of the London Stock Exchange in December 1999 with a market capitalisation of £6.9m. He directed the growth of Country & Metropolitan plc until its disposal in April 2005 to Gladeale Holdings plc for approximately £72m. Mr Wicks has worked in the construction and housebuilding sector all of his working life and has extensive knowledge of local and national policies on both greenfield and brownfield sites.



Nishith Malde, Finance Director aged 54 qualified as a Chartered Accountant in 1985 with KPMG and specialised in advising owner managed businesses. He left KPMG in 1989 to set up a consultancy firm which later merged with an audit practice where he was the partner responsible for the affairs of Country & Metropolitan plc. Mr Malde joined Country & Metropolitan plc as finance director and company secretary in 1998. He was actively involved in the preparation for the flotation of Country & Metropolitan plc in December 1999 and its further development until it was acquired by Gladeale Holdings plc in April 2005. Mr Malde is also on the board of Energiser Investments plc, an AIM listed company.



Simon Bennett, Non-executive Director aged 54 qualified as a Chartered Accountant in 1981 and has over 25 years' investment banking experience in the City. Mr Bennett was the head of corporate finance and head of the mid and small caps team at Credit Lyonnais Securities and, following its acquisition by Credit Agricole, he established Incremental Capital LLP to provide corporate finance advice to mid and small cap companies. In the latter part of 2005, Mr Bennett joined Baker Tilly as managing director of Baker Tilly and Co. Limited. In late 2007 Mr Bennett joined Fairfax IS plc, the independent investment bank, as head of corporate broking. Mr Bennett has recently joined Merchant Securities as Head of Corporate Broking and is also non-executive chairman of Energiser Investments plc and a number of other private companies.



Paul Brett, Land Director aged 36 has been involved in the housing sector all of his working life, acquiring and master planning brownfield sites at Country & Metropolitan plc for ten years during which time he was promoted to Land Director of its Southern Region. Mr Brett joined the Inland Group in August 2005. He has extensive experience in identifying brownfield land and the necessary knowledge of the complexities of the planning system.

Overview	Business review	Corporate governance	Group financial statements	Company financial statements	Notice of AGM
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Directors' report

The Directors present their report and the financial statements of the Group and the Company for the year ended 30 June 2012.

Principal activity

The principal activity of the Company and its subsidiaries, together called the Group, is to acquire residential and mixed use sites and seek planning consent for development. The Group develops a number of the plots for private sale and sells consented plots to housebuilders.

Results and dividends

The trading results for the year are set out in the Group Income Statement on page 37 and the Group's financial position at the end of the year is set out in the Group Statement of Financial Position on page 39. Further details of the performance during the financial year and expected future developments are contained in the Chairman's Statement, which forms part of the Directors' Report.

The directors propose to recommend the payment of a final dividend of 0.067p per share (2011: 5nil).

Business review

A review of the development and performance of the business during the year and the future outlook of the Group is set out in the Chairman's Statement on pages 8 to 9. The Group's key performance indicators are revenue, profit before tax, net assets per share and the number of plots with and without planning consent. These indicators are monitored closely by the Board and the details of performance against these are given in the Chairman's Statement.

Principal risks and uncertainties

The management of the business and the nature of the Group's strategy are subject to a number of risks. The Directors have set out below the principal risks facing the business. Where possible, processes are in place to monitor and mitigate such risks. These are general in nature and include: obtaining business on competitive terms; retaining key personnel; and market competition. The Group operates a system of internal control and risk management in order to provide assurance that the Board is managing risk whilst achieving its business objectives. No system can fully eliminate risk and therefore, the understanding of operational risk is central to the management process.



Principal risks and uncertainties (continued)

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

	RISK	POTENTIAL IMPACT	STRATEGY
land	The inability to source, acquire, promote and dispose of land	The Group would not be able to generate profit and cash flow for the longer term May have a detrimental effect on the financial position of the Group	The Group has an experienced management team with a strong track record in the industry which mitigates this risk
Planning	Increased complexity and delay in the planning process The adoption of the Community Infrastructure Levy by local authorities	May impede sales and thus affect the rate of growth of the business May have a detrimental effect on the supply and pricing of land being marketed by landowners	The Group undertakes extensive professional diligence on planning, technical and environmental issues together with acquiring housing sites identified in councils' Local Plans
Market	A severe fall in the housing market in the regions in which the Group chooses to operate	Inability to realise maximum value in a timely fashion Adverse effect on land values Adverse effect on the timing of sales	The Group ensures that its sites are in good locations thus providing some protection against any downturn in the market
Personnel	Loss of inability to source high calibre, experienced staff	The Group would have difficulty growing the business in the highly competitive markets in which it operates	The Group maintains good morale in the work place and sets remuneration packages at attractive levels
Interest rates	Significant upward changes in interest rates	May affect residential land prices and demand for residential property would be affected Would lead to increased borrowing costs and thus have a detrimental effect on profit	The Group mitigates any adverse exposure to interest rate changes by controlling its gearing and if necessary, by using hedging instruments
Environmental	Unexpected contamination being found on a site	Liabilities in respect of decontamination works or fines for environmental pollution could affect the outcome of a project	The assessment of environmental risk is an important element of the due diligence undertaken when buying land. The Group uses reputable environmental consultancy firms to assist in this area
Regulation	Changes in legislation, government regulations, planning policies and guidelines	May have a detrimental effect on the Group's business	The Group keeps abreast of potential changes in these areas and wherever possible allows for these in appraising its projects
Construction	Cost overruns Material shortages Delays	May adversely impact margins on infrastructure and housebuilding	The Group tries to build strong relationships with subcontractors and projects are reviewed frequently in order to mitigate these risks
Finance	The lack of availability of bank funding	May have an adverse effect on the Group's progress	The Group continues to seek finance from alternative lending sources to improve its liquidity

Directors' report (continued)

Financial risk management objectives and policies

All potential areas of financial risk are regularly monitored and reviewed by the Directors and management. Any preventative or corrective measures are taken as necessary.

The Group uses various financial instruments. These include loans, cash and trade receivables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group also provides finance to Drayton Garden Village Limited as part of its arrangement with that company. The main purpose of this financial instrument is to enhance the Group's return from this project.

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

The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk, credit risk and capital risk.

The Directors review and agree policies for managing each of these risks and they are summarised below.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Flexibility is achieved by loans and overdraft facilities.

Cash flow fair value interest rate risk

The Group's cash flow interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. All of the Group's borrowings are at variable rates but the Group does not consider the risk to be significant.

Interest rate risk

The Group finances its operations through a mixture of equity and bank and other borrowings. The Group controls the exposure to interest rate fluctuations by ensuring that the level of gearing is maintained at a reasonable level.

Credit risk

The Group's principal financial assets are trade and other receivables, loans to associates and cash and cash equivalents. The Group trades and deals with counterparties after having considered their credit rating. In certain circumstances the Group may seek additional security.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital in relation to overall financing. Further information can be found in note 27 to the Group financial statements.

Directors and their interests

Each of the Directors listed on pages 26 and 27 held office as at 30 June 2012. The Directors of the Company and their respective beneficial interests (including that of their respective families) in the shares of the Company as at 30 June 2012 were as follows:

	As at 30 June 2012				As at 30 June 2011			
	Number of ordinary shares	Number of deferred shares	Number of share options		Number of ordinary shares	Number of deferred shares	Number of share options	
Ordinary Shares								
S D Wicks	16,237,332	490	1,500,000		20,179,732	490	1,500,000	
N Malde	11,072,400	392	1,500,000		10,905,000	392	1,500,000	
P Brett	3,444,214	98	1,100,000		3,374,214	98	1,100,000	
T Roydon	325,000	—	—		250,000	—	—	
S Bennett	110,000	—	—		50,000	—	—	

S Wicks and N Malde are retiring by rotation in accordance with the Company's Articles of Association and have offered themselves for re-election.

No share options were exercised in the period. Further information on share options can be found in note 21 to the Group financial statements.

Directors' emoluments

The remuneration of the individual Directors was:

	2012					2011				
	Salary/fees £000	Bonus £000	Benefits £000	Pension £000	Total remuneration £000	Social security costs £000	Total remuneration & social security £000		Total remuneration & social security £000	
Executive Directors										
S D Wicks	315	115	28	—	458	61	519		519	368
N Malde	263	115	25	50	453	53	506		506	360
P Brett	179	16	11	18	224	27	251		251	232
Non-executive Directors										
T Roydon	38	—	—	—	38	—	38		38	30
S Bennett	30	—	—	—	30	—	30		30	25

P Brett was appointed to the Board on 3 October 2011. His salary, benefits and pension are included above for 2011 and 2012 for ease of reference. P Brett was considered to be key management up until his appointment.

Qualifying third party indemnity provision

During the financial year, a qualifying third party indemnity provision for the benefit of all the Directors was in force.

Directors' report (continued)

Substantial shareholding

As at 25 October 2012, the Company was aware of the following holdings in addition to those of the Directors discussed above, of 3% or more of the nominal value of the Company's shares:

Name	Shareholding	%
M H Dixon	24,000,000	13.11
Kaico Investment Fund SCA SICAV SIF	22,700,000	12.40
A K Bleit	11,500,000	6.28
Henderson Global Investors Limited	10,081,143	5.52
Unique Limited	5,652,329	3.09

Employee involvement

The Group places considerable value on the involvement of its employees and keeps them informed of all relevant matters on a regular basis. The Group is an equal opportunities employer and all applications for employment are considered fully on the basis of suitability for the job.

Charitable and political contributions

Donations to charitable organisations amounted to £23,000 (2011: £11,000). These donations were made to a number of different charities supporting a broad range of causes. There were no political donations made during the year (2011: £nil).

Payment policy and practice

The Group's policy is for all companies within the Group to agree terms and conditions with their suppliers. Payments are then generally made on the basis of this agreement, providing the suppliers conform to the terms and conditions stipulated. At 30 June 2012 the Group had an average of 93 days' (2011: 62 days) purchases outstanding in trade payables.

Corporate governance

The Directors recognise the importance of sound corporate governance and the guidelines set out in the UK Corporate Governance Code 2010. Whilst AIM companies are not obliged to comply with the Code, the Directors intend to comply with the Code so far as is appropriate having regard to the size and nature of the various companies making up the Group. The Board will take such measures so far as considered appropriate for the Group to comply with the Code and in addition, the Quoted Companies Alliance (QCA) Guidelines for AIM Companies.

Board composition

The Group is managed through its Board of Directors. The Board comprises the Non-executive Chairman, one other Non-executive Director, the Chief Executive, Finance Director and a Land Director (appointed 3 October 2011). The Board's main roles are to create value for the shareholders, to approve the Group's strategic objectives and to ensure that the necessary financial and other resources are made available to enable them to meet these objectives.

Specific responsibilities reserved to the Board include: setting Group strategy; reviewing operational and financial performance; approving certain land acquisitions; approving appointments to the Board; and approving policies relating to Directors' and senior management's remuneration. In addition the Board reviews the risk profile of the Group and ensures that an adequate system of internal control is in place.

The roles of the Chairman and the Chief Executive are separate. The Chairman is responsible for running the Board and he meets the Chief Executive and the other Non-executive Director separately as and when required to discuss matters of the Board. One-third of the Directors retire annually by rotation in accordance with the Company's Articles of Association and this enables the shareholders to decide on the election of their Company's Board.



Audit committee

The audit committee comprises Terry Roydon (Chairman) and Simon Bennett. The audit committee meets at least three times a year and is responsible for ensuring that the financial performance of the Group is properly reported and monitored and for meeting the auditor and reviewing their reports in relation to the financial statements and internal control systems. The Group's auditor provides some non-audit services, but these are not considered to threaten their independence. The committee reviews the level of non-audit fees on an annual basis. The audit committee meetings are also attended by invitation by representatives of the Group's auditor, the Finance Director and the Chief Executive.

Since 30 June 2011 the audit committee has met four times to consider the planning of the statutory audit and to review the Group's draft half and full year results prior to Board approval and to consider the external auditor's detailed reports thereon.

Remuneration committee

The remuneration committee comprises Simon Bennett (Chairman) and Terry Roydon. The principal functions of the committee are to determine the Group's policy on the remuneration of the Executive Directors and senior management and to determine the remuneration package of each Executive Director. The committee also determines the allocation of share options to the Executive Directors and other employees. The remuneration committee meetings are also attended by invitation by the Chief Executive. During the year the committee met once to review the Executive Directors' remuneration package.

The Directors comply with Rule 21 of the AIM Rules relating to Directors' dealings and take all reasonable steps to ensure compliance by the Company's applicable employees. The Company has adopted and operates a share dealing code for Directors and employees in accordance with the AIM Rules.

Internal controls

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

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

Relations with shareholders

The Company has institutional shareholders and is, where practicable, willing to enter into a dialogue with them. The Chief Executive and Finance Director meet with institutional investors within the confines of relevant legislation and guidance.

The Board invites communication from its private investors and encourages participation by them at the AGM. All Board members are present at the AGM and are available to answer questions from shareholders.

Internal audit

The Board reviews from time to time the need for an internal audit function and remains of the opinion that the systems of internal financial control are appropriate to the Group's present activities and that such a function is unnecessary.

Directors' report (continued)

Going concern

The Board has reviewed the performance for the current year and forecasts for the future period. It has also considered the risks and uncertainties, including credit risk and liquidity. The Directors have considered the present economic climate, the state of the housing market and the current demand for land with planning consent. The Group has continued to see an increase in demand for consented land in the areas in which it operates. The Group is in discussions for the sale of some of the land within its projects and expects to make sufficient disposals in the foreseeable future to ensure it has adequate working capital for its requirements. The Group is also in discussions with a number of funders to raise debt finance in order to both supplement its working capital and expand its land portfolio. The Directors are satisfied that the Group will generate sufficient cash to meet its liabilities as and when they fall due for a period of twelve months from signing these financial statements. The Directors therefore can consider it appropriate to prepare the financial statements on the going concern basis.

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have to prepare Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as elected by the European Union and have elected to prepare Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed in relation to the Group accounts and applicable UK Accounting Standards have been followed in relation to the Parent Company accounts, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Overview	Business review	Corporate governance	Group financial statements	Company financial statements	Notice of AGM
	Post balance sheet events There are no events subsequent to the balance sheet date that need to be disclosed. Annual general meeting The Notice covering the AGM together with the proposed resolutions is contained in the document accompanying this report. The AGM will be held on 27 November 2012. Auditor A resolution to reappoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the AGM in accordance with Section 489 of the Companies Act 2006. By order of the Board Nishith Malde COMPANY SECRETARY 25 October 2012				

Independent auditor's report to the members of Inland Homes plc

Independent auditor's report to the members of Inland Homes plc

We have audited the Group financial statements of Inland Homes plc for the year ended 30 June 2012 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Group Statement of Changes in Equity, the Group Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 34, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 1 to the Group financial statements, the Group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

- Under the Companies Act 2006 we are required to report to you if, in our opinion:
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Parent Company financial statements of Inland Homes plc for the year ended 30 June 2012.

Robert Napper

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Reading
25 October 2012



Group income statement for the year ended 30 June 2012

Continuing operations	Note	2012 £000	2011 £000
Revenue	6	6,110	21,372
Cost of sales	7	(2,224)	(15,699)
Gross profit		3,886	5,673
Administrative expenses		(2,079)	(2,207)
(Loss)/profit on investments		(149)	46
Operating profit		1,658	3,512
Finance cost – interest expense	9	(698)	(977)
Finance cost – notional interest	9	(115)	—
Finance income – notional interest	10	237	207
Finance income – interest receivable and similar income	10	87	131
Share of profit of associate	14	573	3,273
Reverse impairment of investment in associate	14	500	—
Share of profit of joint venture	14	217	138
Profit before tax		1,597	3,543
Income tax	11	(638)	303
Profit for the year		759	3,846
Attributable to:			
Equity holders of the Company		759	3,846
Earnings per share for profit attributable to the equity holders of the Company during the year			
– basic	12	0.41p	2.10p
– diluted	12	0.41p	2.07p

Group statement of comprehensive income

for the year ended 30 June 2012

	Note	2012 £000	2011 £000
Profit for the year	22	759	3,846
Other comprehensive income		—	—
Total comprehensive income for the year		759	3,846

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



Group statement of financial position

at 30 June 2012

	Note	2012 £000	2011 £000
ASSETS			
Non-current assets			
Investment property	13	9,801	8,801
Property, plant and equipment	13	68	76
Investments	14	1,114	1,009
Joint ventures	14	2,563	2,401
Investment in associate	14	822	96
Receivables due in more than one year	17	95	70
Deferred tax	15	4,275	4,976
Total non-current assets		17,698	17,423
Current assets			
Inventories	16	43,776	24,105
Trade and other receivables	17	2,632	10,299
Loan to associate	18	1,000	1,886
Listed investments held for trading (carried at fair value through profit and loss)	19	1	1
Cash and cash equivalents	20	575	2,239
Total current assets		47,984	38,539
Total assets		65,682	55,968
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	21	18,301	18,301
Share premium account	22	30,794	45,794
Treasury shares	22	(366)	(366)
Special reserve	22	6,059	—
Retained earnings	22	(5,382)	(15,248)
Total equity		49,406	48,481
LIABILITIES			
Current liabilities			
Bank loans and overdrafts	28	1,111	663
Other loans	28	5,975	2,000
Trade and other payables	23	2,522	4,824
Other financial liabilities	24	6,768	—
Total liabilities		16,276	7,487
Total equity and liabilities		65,682	55,968

The financial statements were approved and authorised for issue by the Board of Directors on 25 October 2012.

Stephen Wicks
DIRECTOR

Nishith Maide
DIRECTOR

Company number
5482990

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

Group statement of changes in equity

for the year ended 30 June 2012

	Share capital £000	Share premium £000	Treasury shares £000	Special reserve £000	Retained earnings £000	Total £000
At 30 June 2010	18,301	45,806	(566)	—	(19,289)	44,461
Share-based payment	—	—	—	—	166	166
Issue of equity	—	(12)	—	—	—	(12)
Transactions with owners	—	(12)	—	—	166	174
Total comprehensive income for the year	—	—	—	—	3,846	3,846
Total changes in equity	—	(12)	—	—	4,032	4,020
At 30 June 2011	18,301	45,794	(566)	—	(15,248)	48,481
Share-based payment	—	—	—	—	166	166
Capital reduction	—	(15,000)	—	6,059	8,941	—
Transactions with owners	—	(15,000)	—	6,059	9,107	166
Total comprehensive income for the year	—	—	—	—	759	759
Total changes in equity	—	(15,000)	—	6,059	9,866	925
At 30 June 2012	18,301	30,794	(366)	6,059	(5,382)	49,406

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



Group statement of cash flows

for the year ended 30 June 2012

	Note	2012 £000	2011 £000
Cash flow from operating activities		1,597	3,543
Profit for the year before tax			
Adjustments for:			
– depreciation	13	38	38
– share-based compensation		166	166
– fair value adjustment for movement in value of DGVIL investment		145	(30)
– profit on disposal of listed investments		—	(16)
– interest expense		813	577
– interest and similar income		(324)	(338)
– share of profit of associate		(307)	(132)
– reverse impairment of investment in associate		(500)	—
– share of profit in joint venture		(217)	(138)
Changes in working capital (excluding the effects of acquisition):			
– increase in investments		(260)	—
– (increase)/decrease in inventories		(19,672)	11,046
– decrease/(increase) in trade and other receivables		7,904	(4,400)
– decrease/(increase) in receivables due in more than one year		15	(70)
– increase/(decrease) in trade and other payables		4,330	(3,365)
Net cash (outflow)/inflow from operating activities		(6,262)	6,901
Cash flow from investing activities		87	131
Interest received			(56)
Purchases of property, plant and equipment	13	(30)	(283)
Purchase of investments		—	146
Sale of investments		—	—
Net cash inflow/(outflow) from investing activities		57	(62)
Cash flow from financing activities		(677)	(527)
Interest paid			(2,410)
Repayment of borrowings		4,323	2,000
New loans		—	(12)
Costs on issue of ordinary shares during prior year		—	—
Receipt of loan repayment from associate		895	—
Net cash inflow/(outflow) from financing activities		4,541	(949)
Net (decrease)/increase in cash and cash equivalents		(1,684)	5,890
Net cash and cash equivalents at beginning of year		2,238	(3,651)
Net cash and cash equivalents at the end of year		575	2,238
Cash and cash equivalents		575	2,238

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

Notes to the group financial statements

for the year ended 30 June 2012

1. Accounting policies

The principal accounting policies adopted in the preparation of the Group financial statements are set out below.

Basis of preparation

The Group financial statements have been prepared under the historical cost convention, except for financial instruments and the investment property which are measured at fair value, and in accordance with applicable International Financial Reporting Standards (IFRS) as adopted by the EU and as issued by the International Accounting Standards Board.

The accounting policies that have been applied in the opening Statement of Financial Position have also been applied throughout all periods presented in these financial statements. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 30 June 2012.

The following new standards are in issue and have had no effect on these statements:

- IAS 24 (Revised 2009): Related Party Disclosures (effective 1 January 2011);
- IFRIC 14 (Amendment): Pre-payments of a Minimum Funding Requirement (effective 1 January 2011); and
- Improvements to IFRS issued May 2010 (some changes effective 1 July 2010, others effective 1 January 2011).

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

At the date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group. Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

Consolidation Standards

A package of consolidation standards are effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

IFRS 10 Consolidated Financial Statements (IFRS 10)

IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements (IAS 27) and SIC 12 Consolidation – Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

IFRS 11 Joint Arrangements (IFRS 11)

IFRS 11 supersedes IAS 31 Interests in Joint Ventures (IAS 31). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, IAS 31's option of using proportionate consolidation for joint ventures has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates.

IFRS 12 Disclosure of Interests in Other Entities (IFRS 12)

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

Consequential amendments to IAS 27 and IAS 28 Investments in Associates and Joint Ventures (IAS 28), IAS 27 now only deals with separate financial statements. IAS 28 brings investments in joint ventures into its scope. However, IAS 28's equity accounting methodology remains unchanged.



1. Accounting policies (continued)

Standards in issue but not yet effective

- IFRS 9: Financial Instruments (effective 1 January 2013);
 - IAS 19 (Revised) Employee Benefits (effective 1 January 2013); and
 - IFRS 13 Fair Value Measurement (effective 1 January 2013).
- None of these standards will have an impact on the Group's financial statements.

Basis of consolidation

The Group's financial statements consolidate the financial statements of the Company and all of its subsidiary undertakings drawn up to 30 June 2012. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights. Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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

Going concern

The Board has reviewed the performance for the current year and forecasts for the future period. It has also considered the risks and uncertainties, including credit risk and liquidity. The Directors have considered the present economic climate, the state of the housing market and the current demand for land with planning consent. The Group has continued to see an increase in demand for consented land in the areas in which it operates. The Group is in discussions for the sale of some of the land within its projects and expects to make sufficient disposals in the foreseeable future to ensure it has adequate working capital for its requirements. The Group is also in discussions with a number of funders to raise debt finance in order to both supplement its working capital and expand its land portfolio. The Directors are satisfied that the Group will generate sufficient cash to meet its liabilities as and when they fall due for a period of twelve months from signing these financial statements. The Directors therefore can consider it appropriate to prepare the financial statements on the going concern basis.

Associates

Associates are those entities over which the Group has significant influence through Board representation but which are neither subsidiaries nor interests in joint ventures. Investments in associates are recognised initially at cost and subsequently accounted for using the equity method. Acquired investments in associates are also subject to acquisition method accounting. However, any goodwill or fair value adjustment attributable to the share in the associate is included in the amount recognised as investment in associates.

All subsequent changes to the share of interest in the equity of the associate are recognised in the Group's carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are reported in 'share of profits of associates' in the Group Income Statement and therefore affect net results of the Group. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of assets and liabilities.

Notes to the group financial statements (continued)

for the year ended 30 June 2012

1. Accounting policies (continued)

Associates (continued)

Items that have been recognised by the associate in Other Comprehensive Income are recognised in Other Comprehensive Income. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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

Joint ventures

Investments in joint ventures are recognised initially at cost and subsequently accounted for using the equity method.

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

Revenue

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

Sale of land

Revenue from the sale of land is recognised when all the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods which is generally when contracts have been completed;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the land sold which is generally when the contract has been completed;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sale of residential units

Turnover is recognised on legal completion, which is generally when the title passes.

Fee income

The Group provides planning and property management services to third parties for a fee. The Group recognises revenue based on the fair value and stage of completion of the planning and property management services provided to these customers as at the period end, in accordance with IAS 18.

Interest

Interest is recognised using the effective interest method which calculates the amortised cost of a financial asset and allocates the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.



1. Accounting policies (continued)

Revenue (continued)

Rental income

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

Dividends

Dividends are recognised when the shareholders' right to receive payment is established.

Property, plant and equipment

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

Disposal of assets

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the income statement. Any revaluation surplus remaining in equity on disposal of the asset is transferred to the profit and loss reserve.

Depreciation

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

Fixtures and fittings	-	25%
Office equipment	-	25%
Motor vehicles	-	25%

Leasehold property - over shorter of lease term and useful economic life

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

Investment property

Investment properties are measured at cost and are reviewed annually for impairment. Any gain or loss resulting from the sale of an investment property is immediately recognised in profit or loss. An investment property shall be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Inventories

Inventories consist of land and work in progress and are valued at the lower of cost and net realisable value. Net realisable value is estimated based upon the future expected selling price, less estimated costs to sell.

Impairment testing of property, plant and equipment

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset. If the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined for the cash-generating unit to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognised in the Group Income Statement in those expense categories consistent with the function of the impaired asset.

Notes to the group financial statements (continued)

for the year ended 30 June 2012

1. Accounting policies (continued)

Impairment testing of property, plant and equipment (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Taxation

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

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Temporary differences include those associated with shares in subsidiaries and joint ventures unless reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the year end date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Group Income Statement except where they relate to items that are recognised in other comprehensive income (such as the revaluation of the investment property not included in inventories) or directly in equity in which case the related deferred tax is also recognised in other comprehensive income or equity respectively.

Leased assets

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

Employee benefits

Defined contribution pension scheme

The pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period.

Equity-settled share-based payment

All share-based payment arrangements are recognised in the Group financial statements. All goods and services received in exchange for the grant of any share-based payment are measured at their fair values using the Black-Scholes options pricing model. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All equity-settled share-based payments are ultimately recognised as an expense in the Group Income Statement with a corresponding credit to retained earnings.



1. Accounting policies (continued)

Equity-settled share-based payment (continued)

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

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

Financial assets

Financial assets are divided into the following categories: loans and receivables; financial assets at fair value through profit or loss; and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired.

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets other than those categorised as at fair value through profit and loss are initially recognised at fair value plus finance costs. Financial assets categorised as at fair value through profit or loss are recognised initially at fair value with transaction costs expensed through the Group Income Statement.

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity as at fair value through profit or loss upon initial recognition. Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in the Group Income Statement. Financial assets originally designated as financial assets at fair value through profit or loss may not be re-classified subsequently.

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's available-for-sale financial assets include listed securities.

All financial assets within this category are subsequently measured at fair value with changes in value recognised in Other Comprehensive Income. Gains and losses arising from financial instruments classified as available-for-sale are initially recognised in Other Comprehensive Income then re-classified from equity to profit or loss when they are sold.

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

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

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

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

Notes to the group financial statements (continued)

for the year ended 30 June 2012

1. Accounting policies (continued)

Financial liabilities

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

All financial liabilities are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the Group Income Statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the Group Income Statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are settled in the period in which they arise.

Financial liabilities are categorised as at fair value through profit or loss where they are classified as held-for-trading or designated as at fair value through profit or loss on initial recognition (including deferred purchase consideration). Financial liabilities are designated as at fair value through profit or loss where they eliminate or significantly reduce a measurement (or recognition) mismatch.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Dividends

Dividend distributions payable to equity shareholders are included in other short term financial liabilities when the dividends are approved in a general meeting prior to the year end date.

Equity

An equity instrument is a contract which evidences a residual interest in the assets after deducting all liabilities. Equity comprises the following:

- 'Share capital' represents the nominal value of equity shares;
- 'Share premium' represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue;
- 'Treasury shares' represent the purchase of the Company's own shares and are deducted from total equity as treasury shares until they are sold or cancelled where such shares are subsequently sold or re-issued, any consideration received is included in total equity;
- 'Special reserve' represents the surplus created by the transfer of an amount from the share premium to rectify the deficit on the profit and loss reserve; and
- 'Profit and loss reserve' represents retained profits.



2. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk; liquidity risk; cash flow risk; and fair value interest-rate risk. The Group's overall risk management programmes focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out centrally under policies approved by the Board of Directors.

(a) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the year end date, as summarised below:

	2012 £'000	2011 £'000
Classes of financial assets – carrying amounts		
Listed investments held for trading	1	1
Loan to associate	1,000	1,895
Cash and cash equivalents	575	2,239
Trade and other receivables	2,632	10,299
Receivables due in more than one year	55	70
	4,263	14,504

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

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality.

Some of the Group's financial assets are secured by collateral.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality credit ratings.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash balances and ensuring availability of funding through an adequate amount of credit facilities. The Group aims to maintain flexibility in funding by keeping credit lines available. The Group also purchases property under deferred consideration arrangements.

(c) Cash flow interest rate risk

The Group's cash flow interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. All the Group's borrowings are at variable rates but the Group does not consider the risk to be significant.

3. Segment information

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

In identifying its operating segments, management differentiates between land sales, housebuilding, fee income and other income. These segments are based on the information reported to the chief operating decision maker. An analysis of the Group's results by segment are disclosed in note 6.

Notes to the group financial statements (continued)

for the year ended 30 June 2012

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Valuation of inventories

In applying the Group's accounting policy for the valuation of inventories the Directors are required to assess the expected selling price and costs to sell each of the plots or units that constitute the Group's land bank and work in progress. Estimation of the selling price is subject to significant inherent uncertainties, in particular the prediction of future trends in the market value of land.

Whilst the Directors exercise due care and attention to make reasonable estimates taking into account all available information in estimating the future selling price, the estimates will, in all likelihood, differ from the actual selling prices achieved in future periods and these differences may, in certain circumstances, be very significant. The critical judgement in respect of planning consent (see below) further increases the level of estimation uncertainty in this area.

(b) Income taxes

The Group recognises tax/deferred tax assets and liabilities for anticipated tax based on estimates of when the tax/deferred tax will be paid or recovered. When the final outcome of these matters is different from the amounts initially recorded, such differences impact the period in which the determination is made.

(c) Fair value of derivatives and other financial instruments

The fair value of instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing.

(d) Investment properties

Properties are classified as investment properties if there are significant rentals and the intention is to hold those properties for a significantly longer time than inventory property, i.e. not for sale in the ordinary course of business.

(e) Discounting on deferred consideration of inventories

The Group discounts deferred consideration of inventories by discounted cash flow method, using the cost of debt capital as the discount rate.

Critical judgements in applying the entity's accounting policies

Inventories

The Group values inventories at the lower of cost and net realisable value. The net realisable value is based on the judgement of the probability that planning consent will be given for each site. The Group believes that, based on the Directors' experience, planning consent will be given. If planning consent was not achieved then a provision may be required against inventories.

4. Critical accounting estimates and judgements (continued)

Critical judgements in applying the entity's accounting policies (continued)

Investments

The Group has entered into a Development Services Agreement with DGVL. The Directors have considered the requirements of IAS 27 'Consolidated and separate financial statements' (revised 2008) and 'SIC 12 Consolidation – special purpose entities' and do not believe that the Group has the power to control DGVL. DGVL makes its own decisions regarding the development of the site even though the director of DGVL receives property advice to consider and property services from the Group. The Directors also consider that the Group does not have the decision making powers to obtain the majority of the benefits and the risks of the activities of DGVL as the shareholder of DGVL maintains control as to whether it finances the deferred land consideration payments. The key requirement in influencing Inland's profit share is the basis on which deferred consideration is satisfied. This is at the discretion of the DGVL director and hence he can improve his profit share, or allow Inland to arrange the funding. Therefore the Directors do not believe that DGVL should be consolidated within the Group's financial statements.

The Group is entitled to receive a fee for the provision of planning application services, assistance in obtaining statutory and third party consents, assistance in entering into development and construction agreements, assistance in achieving sales, assistance in engaging professional advisors, seeking opportunities to generate interim revenues and the potential provision of finance to DGVL in respect of the site known as Drayton Garden Village. Under the agreement the Group has the potential to earn up to 50% of the profits realised from the sale of the property over the life of the project.

The Group's relationship with DGVL is further explained in note 14 and balances in note 17.

Because the final decision on the financial and operational activities of DGVL resides with the director of DGVL, the Directors of Inland Homes plc do not consider that they have significant influence over DGVL and therefore DGVL is not considered to be an associate or a subsidiary undertaking.

At 30 June 2012 the funding arrangements in place for the satisfaction of deferred consideration entitled Inland to 80.51% of the profits expected to be realised from the sale of the property over the life of the project. In accordance with the Option and Development Services Agreement with DGVL (The Agreement), 53.55% of the total profits would be due to the Group for the provision of planning application and property management services completed at the balance sheet date and this has to be accounted for under IAS 18. 6.98% of the profits would be due to the Group for the provision of finance to DGVL and would be accounted for under IAS 39 as notional interest income.

In calculating the fee for the provision of planning application and property services to DGVL recognised in the year, under IAS 18 the Group has estimated the following:

- total profits (total expected sales less total estimated development costs to completion) to be realised from the sale of the property;
 - profits would be realised over six years from 1 July 2010;
 - percentage, where the stage of completion is an appropriate basis for evaluating fair value, of planning application and property services provided to DGVL as at the period end with the balance to be provided over the remaining life of the project (i.e. in future accounting periods); and
 - the fair value of completed service components at the year end.
- During the year ended 30 June 2012 the Group has recognised £3.65m (2011: £3.77m) in revenue within the Group Income Statement for such services to DGVL.
- In calculating the fee for the provision of finance to DGVL, under IAS 39 the Group has estimated the following:
- total profits (total expected sales less total estimated development costs to completion) to be realised from the sale of the property; and
 - profits would be realised over six years from 1 July 2010.

Notes to the group financial statements (continued)

for the year ended 30 June 2012

4. Critical accounting estimates and judgements (continued)

Critical judgements in applying the entity's accounting policies (continued)
Investments (continued)

Under IAS 39 the Group has a choice as to how to account for the asset. The Directors consider the most appropriate classification for the asset to be 'loans and receivables' due to the underlying asset being a 'non derivative' financial asset with fixed or determinable payments. The effective interest rate method has been applied in calculating the income in the period. See Note 17.

During the year ended 30 June 2012 the Group has recognised £0.24m (2011: £0.24m) within notional interest income in the Group Income Statement in respect of such fees.

The tables below show the revenue and notional interest recognised by Inland under IAS 18 and IAS 39 in comparison to the results recognised by DGVL on its sales:

	2012 £000	2011 £000	Cumulative £000
Total revenue and notional interest recognised under IAS 18 and 39	3,885	4,017	7,902
Total revenue and notional interest recognised under IAS 18 and 39			
	2012 £000	2011 £000	Cumulative £000
Total revenue and notional interest recognised under IAS 18 and 39	3,885	4,017	7,902
Total revenue and notional interest recognised under IAS 18 and 39			
Land sales in DGVL (unaudited)			
Plots sold	118	148	266
Revenue (£000)	8,460	15,186	24,846
Gross profit (£000) as per DGVL's draft accounts	2,801	5,378	8,179
Land's share of gross profit at 60.51% (2011: 58.19%) (£000)	1,820	3,130	4,950

5. Exceptional costs

The Group conducted a review of the net realisable value of its land bank in view of current market conditions. Where the estimated future net realisable value of the site is less than the carrying value within the Group Statement of Financial Position, the Group has impaired the land value. This has resulted in an impairment of £nil (2011: £0.9m) during the year.

6. Income and segmental analysis

The Group generates income by way of land sales. It also generates income from housebuilding, fees from planning and property management services and other related services. These operating segments are monitored and strategic decisions are made on the basis of segment operating results. The segmental analysis of operations is as follows:

6. Income and segmental analysis (continued)

Segmental analysis by activity

2011	Revenue £000	Cost of sales £000	Gross profit £000	Admin costs £000	Operating profit £000	Finance (cost)/ profit £000	Other income £000	Profit before tax £000
Segment								
Land sales	9,399	(8,724)	675	—	—	675	(35)	640
Housebuilding	7,324	(6,629)	695	—	—	695	—	695
Fee income	3,975	—	3,975	—	—	3,975	242	4,217
Rental income	374	(14)	360	—	—	360	—	360
Other property sale	300	(332)	(32)	—	—	(32)	—	(32)
Other	—	—	—	—	46	46	—	46
-Profit on investments	—	—	—	—	—	—	—	—
-Share of profit of associate	—	—	—	—	—	—	—	132
-Share of profit of joint venture	—	—	—	(2,207)	—	—	—	138
-Unallocated	—	—	—	—	(2,207)	(446)	—	(2,653)
	21,372	(15,699)	5,673	(2,207)	46	3,512	(239)	270
								3,543
2012								
Segment								
Land sales	—	(654)	(554)	—	—	(554)	(115)	(669)
Housebuilding	1,708	(1,475)	233	—	233	233	—	233
Fee income	3,855	(166)	3,719	—	—	3,719	237	3,956
Rental income	322	(29)	293	—	—	293	—	293
Other property sale	195	—	195	—	—	195	—	195
Other	—	—	—	—	(145)	(145)	—	(145)
-Loss on investments	—	—	—	—	—	—	—	—
-Share of profit of associate	—	—	—	—	—	—	—	307
-Reverse impairment of investment in associate	—	—	—	—	—	—	—	500
-Share of profit of joint venture	—	—	—	—	—	—	—	217
-Unallocated	—	—	—	(2,679)	—	(2,679)	(611)	(3,290)
	6,110	(2,224)	3,886	(2,679)	(145)	1,062	(499)	1,024
								1,597
All activities arose solely in the United Kingdom.								
Transactions with customers making up 10% or more of revenue								
								2011 £000
Land sales customer 1	—	—	—	—	—	—	—	2,347
Land sales customer 2	—	—	—	—	—	—	—	5,000
Fee income customer 3	—	—	—	—	—	—	—	3,930
								11,277

Notes to the group financial statements (continued)

for the year ended 30 June 2012

6. Income and segmental analysis (continued)

Segmental analysis by activity (continued)

	2012 £000	2011 £000
Segment assets		
Land:		
Non-current assets – investment property	8,801	8,801
Non-current assets – deferred tax	4,275	4,976
Current assets – inventories	36,901	22,294
Current assets – other	35	151
	49,012	36,222
Housing:		
Non-current assets – deposit match debtor	55	70
Current assets – inventories	7,875	1,811
Current assets – other	9	8
	7,939	1,889
Fees:		
Non-current assets – investment	1,114	1,009
Current assets – debtor	1,507	9,034
Current assets – other	808	848
	3,429	10,891
Other:		
Non-current assets – investments	3,385	2,497
Non-current assets – other	68	76
Current assets – loan to associate	1,000	1,895
Current assets – other	274	259
Cash	575	2,239
	5,302	6,966
Total segmental and entity assets	65,682	55,968



6. Income and segmental analysis (continued)

Segmental analysis by activity (continued)

	2012 £000	2011 £000
Segment liabilities		
Land:		
Current liabilities – trade creditors	460	204
Current liabilities – loans	5,875	2,000
Current liabilities – deferred consideration	6,788	—
	13,103	2,204
Housing:		
Current liabilities – trade creditors	943	163
Current liabilities – bank loans	1,111	663
	2,054	826
Fees:		
Current liabilities – trade creditors	45	35
Current liabilities – other creditors	250	2,915
Current liabilities – VAT creditors	—	1,104
	295	4,054
Other:		
Current liabilities – trade creditors	88	62
Current liabilities – other creditors	736	341
	824	403
Total segmental and entity liabilities	16,276	7,487

Notes to the group financial statements (continued)

for the year ended 30 June 2012

7. Expenses by nature

	Note	2012 £000	2011 £000
Depreciation	13	38	38
Operating lease rentals		68	76
Auditor's remuneration:			
– audit		39	35
– non-audit		38	28
Cost of sales		2,151	15,699
Other expenses		2,496	2,030
Total		4,830	17,906
Classified as:			
– cost of sales		2,151	15,699
– administrative expenses		2,679	2,207
		4,830	17,906

Included within Revenue is rental income from investment property of £10,000 (2011: £374,000).

8. Directors and employees

The employee benefit expense during the year was as follows:

	2012 £000	2011 £000
Wages and salaries	1,577	1,197
Social security costs	191	145
Pension costs – defined contribution plans	79	77
	1,847	1,419

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

	2012 Number	2011 Number
Management	4	4
Administration	9	9
	13	13

Remuneration in respect of Directors was as follows:

	2012 £000	2011 £000
Wages and salaries	821	604
Bonuses	246	—
Social security costs	141	74
Fees	68	55
Pension costs – defined contribution plans	68	50
	1,344	783

8. Directors and employees (continued)

During the year two Directors participated in a money purchase pension scheme. Mr P Brett was appointed to the Board on 3 October 2011. His emoluments and pension are not included in the 2011 comparative on the previous page as he did not serve as a Director during the year to 30 June 2011.

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

	2012 £000	2011 £000
Emoluments	468	328

Further information in respect of AIM rules regarding Directors' remuneration disclosures can be found in the Directors and their interests section of the Directors' Report.

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

	2012 £000	2011 £000
Wages and salaries	924	795
Bonuses	254	—
Social security costs	155	98
Pension costs – defined contribution plans	66	67
Share-based payment	161	181
	1,560	1,141

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

	As at 30 June 2012 Number of deferred shares	As at 30 June 2011 Number of deferred shares	Number of share options
Key personnel and Directors	980	4,200,000	980
			4,100,000

9. Finance cost

	2012 £000	2011 £000
Interest expense:		
– bank borrowings	60	215
– other loan interest	464	161
– deferred land payments	—	91
– notional interest on deferred consideration	115	—
– costs associated with arrangement of new facilities	184	110
	813	577

Notes to the group financial statements (continued)

for the year ended 30 June 2012

10. Finance income

	2012 £000	2011 £000
Other interest receivable	86	130
Bank interest receivable	1	1
Notional interest	237	207
	324	338

11. Income tax

	2012 £000	2011 £000
Tax charge on associate and joint venture profits	137	76
Deferred tax charge due to change of corporation tax rate	382	—
Deferred tax charge/(credit)	319	(379)
	838	(303)

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

	2012 £000	2011 £000
Profit before tax	1,597	3,543
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26% (2011: 28%)	415	962
Expenses not deductible for tax purposes	(77)	35
Other timing differences	126	109
Utilisation of tax losses	(327)	(1,439)
Difference between capital allowances and depreciation	(1)	—
Tax charge/(credit)	136	(303)

12. Earnings and net asset value per share

Basic and diluted EPS

Basic and diluted earnings per share is calculated by dividing the earnings attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	2012	2011
Profit attributable to equity holders of the Company (£000)	759	3,846
Net assets attributable to equity holders of the Company (£000)	49,406	48,481
Weighted average number of ordinary shares in issue (£000)	182,989	182,999
Dilutive effect of options (£000)	51	2,575
Weighted average number of ordinary shares used in determining diluted EPS (£000)	183,060	185,574
Basic earnings per share in pence	0.41p	2.10p
Diluted earnings per share in pence	0.41p	2.07p
Net asset value per share in pence	27.00p	26.49p

13. Property, plant and equipment

	Investment property £000	Leasehold property £000	Motor vehicles £000	Office equipment £000	Fixtures and fittings £000	Total £000
Cost or fair value						
At 30 June 2010	8,801	5	49	38	61	153
Additions	—	—	—	37	19	56
At 30 June 2011	8,801	5	49	75	80	209
Additions	—	—	—	21	9	30
At 30 June 2012	8,801	5	49	96	89	239
Depreciation						
At 30 June 2010	—	1	25	32	37	95
Depreciation charge	—	1	13	8	16	38
At 30 June 2011	—	2	38	40	53	133
Depreciation charge	—	1	9	15	13	38
At 30 June 2012	—	3	47	55	66	171
Net book value						
At 30 June 2012	8,801	2	2	41	23	68
At 30 June 2011	8,801	3	11	35	27	76
At 30 June 2010	8,801	4	24	6	24	58

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

The investment property was valued by Edward Symmons & Partners in August 2006 in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. Investment property continues to be held by the Group for long-term investment. The property is recorded as an investment property and is valued by the Directors on a deemed cost basis at £8,801,000, which was the fair value of the property on acquisition. The investment property is not depreciated. The Directors do not consider the current fair value to be significantly different to the carrying value.

Notes to the group financial statements (continued)

for the year ended 30 June 2012

13. Property, plant and equipment (continued)

The historical cost of the investment property at 30 June 2012 as noted in Poole Investments plc's (Poole) financial statements is £1,252,000 (2011: £1,252,000).

The direct operating expenses for the period arising from the investment property that generated rental income was £29,000 (2011: £13,000). There are no investment properties that did not generate rental income during the period.

14. Investments

	Associate £000	Option £000	Investment in joint venture £000	Total £000
Cost or fair value				
At 30 June 2010	—	729	2,269	2,998
Additions	—	250	33	283
Share of profit after tax	96	—	99	195
Fair value adjustment	—	30	—	30
At 30 June 2011	96	1,009	2,401	3,506
Additions	—	250	—	250
Share of profit after tax	226	—	162	388
Reverse impairment of investment in associate	500	—	—	500
Fair value adjustment	—	(145)	—	(145)
Movement during the year to 30 June 2012	726	105	162	993
Net book value				
At 30 June 2012	822	1,114	2,563	4,499
At 30 June 2011	96	1,009	2,401	3,506

In December 2005, Inland Homes plc invested £200,000 in its associate, Howarth Homes plc and in return received ordinary shares amounting to 10% of the issued share capital of Howarth. In January 2008, Inland Homes plc made a further investment of £359,000 in Howarth to increase its interest to 15% of the issued share capital of Howarth. Inland Homes plc also subscribed for £800,000 convertible loan stock which was converted on 31 July 2009 into 864,583 ordinary shares, thus increasing Inland's interest to 33% of the issued share capital of Howarth. A provision of £1,426,000 was made against the equity investment in Howarth and the convertible loan stock during the year ended 30 June 2009. During the year ended 30 June 2012 £226,000 (2011: £96,000) was recognised in the Group Income Statement, being the Group's 33% share of profits after tax reported by Howarth. Howarth have made profits over the last 2 financial years and expect to continue to do so. Accordingly, the Directors have reviewed the valuation of the investment on the fair value less costs to sell basis and concluded that a £500,000 reversal of the impairment is required, based on an indicative offer received during the year.

On 18 December 2008, Inland entered into an Option and Development Services Agreement with Drayton Garden Village Limited which granted Inland Limited an option for a consideration of £250,000 to purchase the share capital of DGVL at an exercise price of £1. The initial period of the option was for one year from the date of the agreement and this can be extended on up to four occasions to a maximum period of ten years by making further payments. During the years ended 30 June 2010, 2011 and 2012, the option period was extended by a further period of three years in consideration of £750,000. In accordance with the Group's accounting policy for financial assets, the option has been measured at fair value at 30 June 2012, which resulted in a fair value loss of £145,000 (2011: gain of £30,000) that has been recognised in the Group Income Statement, resulting in the option being valued at £289,000 over and above the actual consideration paid for the option. The option is not currently exercisable and only becomes exercisable when the development owned by DGVL is completed.



14. Investments (continued)

During the year ended 30 June 2010, the Group entered into a joint venture with Howarth for the development of 51 units at a site in Croxley Green, Hertfordshire in a company called Harvey Road (Rickmansworth) Limited. The Group has invested £2,302,000 (2011: £2,302,000). Although Howarth owns 100% of the issued share capital of Harvey Road (Rickmansworth) Limited, Inland Directors constitute 50% of the Board of Directors and therefore control 50% of the entity and Inland is entitled to 50% of the profits made by the entity. The Group's 50% share of the profits after tax for the period to 30 June 2012 amounts to £162,000 (2011: £99,000) that has been recognised in the Group Income Statement.

At 30 June 2012 the Company held or potentially held 10% or more of the equity of the following:

Company name	Country of registration	Principal activity	Holding	Class of shares
Inland Limited	England & Wales	Real estate development	100%	Ordinary
Poole Investments plc	England & Wales	Real estate investment	100%	Ordinary
Inland Housing Limited	England & Wales	Real estate development	100%	Ordinary
Inland Finance Limited	England & Wales	Provision of alternative finance	100%	Ordinary
Inland Developments Limited	England & Wales	Real estate development	100%	Ordinary
Inland Homes (Essex) Limited	England & Wales	Real estate development	100%	Ordinary
Inland Homes Developments Limited	England & Wales	Real estate development	100%	Ordinary
Howarth Homes plc	England & Wales	Housebuilder	33%	Ordinary

The Group's share of the results and its share of assets of its associate for the period to 31 May 2012 are as follows:

Name	Country of incorporation	Assets £000	Liabilities £000	Revenue £000	Profit after tax £000	% held
Howarth Homes plc	England & Wales	3,581	2,736	6,549	155	33

The financial statements of Howarth are prepared to 31 July each year. The Group has used the management accounts of Howarth for the period to 31 May 2012 to account for its share of results.

15. Deferred tax

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

At 1 July 2011	£000
Deferred tax charge due to change of corporation tax rate	4,976
Income statement charge	(382)
At 30 June 2012	(319)
	4,275

The movement in deferred tax assets is as follows:

	Accelerated tax depreciation £000	Losses £000	Other £000	Total £000
At 1 July 2011	(2)	4,095	883	4,976
Charged to income statement	(1)	(688)	(12)	(701)
At 30 June 2012	(3)	3,407	871	4,275

Notes to the group financial statements (continued)

for the year ended 30 June 2012

15. Deferred tax (continued)

The deferred tax asset is recoverable as follows:

	2012 £000	2011 £000
Deferred tax asset to be recovered after twelve months	2,724	3,225

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has capital losses amounting to £20,449,000 (2011: £20,449,000) that have not been recognised as the Directors consider the realisation of the losses is not expected to crystallise in the future.

16. Inventories

	2012 £000	2011 £000
Stock and work in progress	43,776	24,105

During the year a total of £2,151,000 (2011: £15,699,000) of inventories was included in the Group Income Statement as an expense. The Group conducted a review of the net realisable value of its land bank in view of current market conditions. Where the estimated future net realisable value of the site is less than the carrying value within the Group Statement of Financial Position, the Group has impaired the land value. This has resulted in an impairment of £nil (2011: £0.9m). Included in the value of inventories above is £15.2m (2011: £8.1m) which is carried at fair value less costs to sell (net realisable value). The amount of inventories pledged as security against borrowings is £23.8m (2011: £9.6m).

17. Trade and other receivables

	2012 £000	2011 £000
Prepayments and accrued income	891	1,073
Other receivables	1,741	9,226
Other receivables due in more than one year	55	70
	2,687	10,369

The carrying value of trade and other receivables is considered a reasonable approximation of fair value. No trade receivables are considered to be impaired. There were no unimpaired trade receivables that were past due at the reporting date.

Other receivables includes an amount of £1,507,000 (2011: £5.0m) accrued in respect of costs and sales invoices that will be reimbursed by DGVIL. The carrying value is considered a reasonable approximation of fair value.

Other receivables also includes an amount of £nil (2011: £3.2m) lent to DGVIL in respect of financing arrangements referred to in Note 4 'Critical judgements in applying the entities accounting policies'.

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

18. Loan to associate

	2012 £000	2011 £000
Advances to associate	1,000	1,895

The Company has granted a secured rolling facility of up to £2,000,000 to its associate.

19. Listed investments held for trading

	£000
At 1 July 2011	1
Movements during the year	—
At 30 June 2012	1

20. Cash and cash equivalents

	2012 £000	2011 £000
Cash at bank and in hand	575	2,239

21. Share capital

	2012 £000	2011 £000
Authorised		
239,990,000 (2011: 239,990,000) ordinary shares of 10p each	23,999	23,999
1,000 (2011: 1,000) redeemable shares of £1 each	1	1
	24,000	24,000
Issued		
182,999,484 (2011: 182,999,484) ordinary shares of 10p each	18,300	18,300
980 (2011: 980) redeemable shares of £1 each	1	1
180 (2011: 180) deferred shares of 10p each	—	—
	18,301	18,301

The Company currently holds 1,325,000 (2011: 1,325,000) of its own shares in treasury.

Notes to the group financial statements (continued)

for the year ended 30 June 2012

21. Share capital (continued)

The redeemable shares are not entitled to receive any dividends and carry one vote per share in general meetings. On a return of capital, the holders of redeemable shares will receive £1 per share unless the conditions described below are met, in which event the entitlement of holders of redeemable shares will be enhanced as described below.

In the event that: (i) the return to holders of ordinary shares (calculated as dividends received, together with the increase in share price over 50p exceeds 10% per annum compounded annually); and (ii) the relevant holder of redeemable shares has not voluntarily ceased to be employed by or engaged to provide services to the Company or any Group company or been dismissed for cause then the following provisions will apply:

- on a takeover (including a takeover effected by a scheme of arrangement) the holders of the redeemable shares will become entitled to redeem their shares at a price which is calculated so as to attribute to all the redeemable shares the difference between the takeover offer price per share and 35p multiplied by 11,123,494; or
- on a winding up, the assets attributable to the redeemable shares will likewise be calculated to be such amount as would represent the difference between the amount attributable to each ordinary share and 35p multiplied by 11,123,494.

According to the Company's Articles of Association, the redeemable shares can convert into deferred shares of 10p each. The deferred shares shall not confer the right to be paid a dividend or to receive notice of or attend or vote at a general meeting. On a winding up, after the distribution of the first £10,000,000 of the assets of the Company, the holders of the deferred share (if any) shall be entitled to receive an amount equal to the nominal value of such deferred shares pro rata to their respective holdings.

The Company operates an unapproved share option scheme. Awards under each scheme are made periodically to employees. Share options vest three years after the date of grant and have an exercise period of seven years. The schemes are all cash-settled.

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

	Share options grant 2011/12	Share options grant 2010/11	Share options grant 2009/10	Redeemable shares
Expected life of options based on options exercised to date	3 years	3 years	3 years	5 years
Volatility of share price	67%	76%	69%	30%
Dividend yield	0%	0%	0%	0%
Risk free interest rate	2.05%	2.05%	2.11%	5.38%
Share price at date of grant	17.5p	18.5p	16.5p	35.0p
Exercise price	17.5p	18.5p	16.5p	35.0p
Fair value per option	£0.05	£0.09	£0.05	£0.07

The charge calculated for the year ended 30 June 2012 is £166,000 with a corresponding deferred tax asset at that date of £43,000.

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

A reconciliation of option movements over the year ended 30 June 2012 is shown below:

21. Share capital (continued)

A reconciliation of option movements over the year ended 30 June 2012 is shown below:

	Number 000s	Exercise price pence
Outstanding at 30 June 2010	1,690	18.5p
Granted during the year	3,000	
Outstanding at 30 June 2011	4,690	
Granted during the year	305	17.5p
Lapsed during the year	(275)	
Outstanding at 30 June 2012	4,720	
Exercisable at 30 June 2012	710	
Exercisable at 30 June 2011	860	

There were 305,000 options granted during the year.

At 30 June 2012 outstanding options granted over 10p ordinary shares were as follows:

Share option scheme	Number	Option price pence	Dates exercisable
Company unapproved	710,000	50.0p	28 March 2010 to 27 March 2017
Company unapproved	705,000	16.5p	17 December 2012 to 16 December 2019
Company unapproved	3,000,000	18.5p	22 November 2013 to 21 November 2020
Company unapproved	305,000	17.5p	25 June 2015 to 24 June 2022

22. Movement on reserves

	Share premium £000	Treasury shares £000	Special reserve £000	Profit and loss account £000
At 1 July 2010	45,806	(366)	—	(19,280)
Profit for the year	—	—	—	3,846
Share-based compensation	—	—	—	186
Share issue expenses for shares issued in prior year	(12)	—	—	—
At 30 June 2011	45,794	(366)	—	(15,248)
Profit for the year	—	—	—	759
Share-based compensation	—	—	—	166
Capital reduction	(15,000)	—	6,059	8,941
At 30 June 2012	30,794	(366)	6,059	(6,362)

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

Notes to the group financial statements (continued)

for the year ended 30 June 2012

23. Trade and other payables

	2012 £000	2011 £000
Trade payables	1,536	464
Other creditors	120	2,996
Social security, other taxes and VAT	174	1,124
Accruals and deferred income	692	240
	2,522	4,824

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

24. Other financial liabilities

	2012 £000	2011 £000
Deferred purchase consideration on inventories falling due within one year	6,768	—

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. The lack of availability of bank funding has resulted in the Group seeking finance from alternative lending sources to improve liquidity.

25. Contingencies

The Group has the following contingent liabilities as at 30 June 2012:

- upon the sale of a specific investment property, a payment of £300,000 is due to one party;
 - a subsidiary undertaking, Poole Investments plc, ceased to participate in its operating subsidiary's pension scheme when it disposed of former subsidiaries in May 2004. The Scheme's principal employer, Pilkington's Tiles Limited went into administration on 14 June 2010 and as a result Poole may be liable for a share of the cost of securing the liabilities of the Scheme pertaining to its two former employees should there be a deficit on the Scheme's fund. The Directors consider that, as at the balance sheet date, material uncertainty exists over the basis and calculation of any obligation that may fall due to Poole. Advice is being sort to clarify the Company's position. A provision has therefore not been made in the financial statements as the basis of any provision cannot be reliably established; and
- No provisions have been made in these financial statements in respect of these contingent liabilities.

26. Commitments

The Group leases an office and some plant and machinery under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2012 £000	2011 £000
Due later than one year and not later than five years	129	203

The rental contract for the office building rented since 28 April 2009 at 2 Anglo Office Park, 67 White Lion Road, Amersham HP7 9FB has a non-cancellable term of five years.



27. Capital management policies and procedures

The Group's objectives when managing capital are:

- to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to ensure sufficient liquid resources are available to meet the funding requirement of its projects and to fund new projects where identified.

This is achieved through ensuring sufficient bank and other facilities are in place and further details are given in Note 28 of the Group accounts. The Group monitors capital on the basis of the carrying amount of the equity less cash and cash equivalents as presented on the face of the Group Statement of Financial Position.

The movement in the capital to overall financial ratio is shown below. The target capital to overall financing ratio has been set by the Directors at 50% and results over this amount are considered to be a good performance against the target.

	2012 £000	2011 £000
Equity	49,406	45,481
Less cash and cash equivalents	(975)	(2,239)
Capital	48,431	43,242
Equity	49,406	45,481
Borrowings	6,986	2,663
Overall financing	56,392	51,144
Capital to overall financing	86.6%	90.4%

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

Notes to the group financial statements (continued)

for the year ended 30 June 2012

28. Financial assets and liabilities

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

	Note	2012 £000	2011 £000
Financial assets			
Listed investments held for trading	19	1	1
Loans and receivables			
Loan to associate	18	1,000	1,885
Trade and other receivables	17	1,662	9,296
Cash and cash equivalents	20	575	2,239
		3,237	13,430
Financial liabilities			
Financial liabilities designated fair value through profit or loss:			
– current borrowings		6,986	2,663
Financial liabilities measured at amortised cost:			
– trade and other payables	23	1,830	4,584
– other financial liabilities	24	6,768	—
		8,598	4,584

The fair values are presented in the related notes.

Current borrowings consist of housebuilding loan facilities of £3.6m, of which £1.1m (2011: £0.67m) is drawn down, and further loans of £5.9m secured against land (2011: £2.0m). The loans attract interest at varying rates.

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

	2012		2011	
	Trade and other payables £000	Deferred purchase consideration £000	Trade and other payables £000	Deferred purchase consideration £000
Less than one year	8,643	7,000	6,123	—
Between one and two years	—	—	—	—
	8,643	7,000	6,123	—

The following table presents financial assets and liabilities measured at fair value in the Group Statement of Financial Position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).



28. Financial assets and liabilities (continued)

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

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

	Note	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Net fair value at 1 July 2011	28(a) & (b)	1	—	1,009	1,010
Movements during the year		—	—	105	105
Net fair value at 30 June 2012		1	—	1,114	1,115

(a) Listed securities and debentures

All the listed equity securities and debentures are denominated in Sterling and are publicly traded in the United Kingdom. Fair values have been determined by reference to their quoted mid prices at the reporting date.

(b) Assets not based on observable market data

The option to purchase the share of Drayton Garden Village Ltd is measured at fair value annually.

29. Related party transactions

As at 30 June 2012 there was a sum due from Howarth amounting to £1,000,000 (2011: £1,895,000). This is included within loan to associate and is in respect of a rolling facility provided to Howarth for a maximum balance of £2,000,000. The balance outstanding attracts interest of 8% per annum above the National Westminster Bank plc base rate for the first £1,000,000 and 15% per annum on amounts over this. The interest received from Howarth for the year ended 30 June 2012 amounted to £84,000 (2011: £130,000).

During the year ended 30 June 2012, Howarth carried out construction work on sites owned by the Group. The total amount, charged on an arm's length basis by Howarth for this work, was £635,000 (2011: £1,399,000).

During the year ended 30 June 2010 the Group entered into a joint venture with Howarth for the development of 51 units at a site in Croxley Green, Hertfordshire. At 30 June 2012 the Group had invested £2,302,000 (2011: £2,302,000). The Group's 50% share of profit after tax to date amounts to £261,000, £162,000 of which has been recognised in the Group Income Statement for the year ended 30 June 2012.

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

	2012 £000	2011 £000
Net assets	132	158
Net result	162	99

30. Company information

The Company is a public limited company registered in England and Wales. The registered office and principal place of business is 2 Anglo Office Park, 67 White Lion Road, Amersham, Buckinghamshire HP7 9FB.

The principal activity of the Group is to acquire residential and mixed use sites and seek planning consent for development. The Group develops a number of the plots for private sale and sells consented plots to housebuilders.

PART 6

PRINCIPAL BASES AND ASSUMPTIONS

Set out below are the principal bases and Assumptions used in calculating the illustrative financial statistics contained in the sections: *Summary*, *Risk Factors* and *Placing Statistics* and Part 1 of this document in relation to the ZDP Shares. For the avoidance of doubt, the Assumptions have not been used in preparing the working capital statement set out in paragraph 16 of Part 7 of this document.

There can be no guarantee that the Assumptions set out below will be realised. In particular, the amounts raised by the Placing may differ from the assumed amounts as the Placing is not being underwritten; market gains or losses between 30 June 2012 and the date of Admission will affect the amount of Inland's assets at Admission; costs will be incurred in investing the net proceeds of the Placing. Accordingly, no reliance should be placed on the illustrative financial statistics derived from the Assumptions set out below. The attention of prospective investors is also drawn to the Risk Factors set out in this document. The Assumptions used are:

1. Gross Proceeds of £8.5 million are raised pursuant to the Placing;
2. The total estimated costs of implementing the Placing are £0.42 million;
3. No allowance is made for the costs of investing the net proceeds of the Placing in inventories;
4. The capital accrual of a ZDP Share is 7.3 per cent, per annum, compounded monthly from 20 December 2012 (the anticipated date of Admission) up to (but excluding) 10 April 2019. The Final Capital Entitlement of 155.90 pence per ZDP Share is payable on 10 April 2019;
5. The Cover Ratio illustration in this document of the ZDP Shares is calculated as the ratio of (i) the gross assets (excluding intangibles and cash) of the Inland Group as at 30 June 2012, plus the net proceeds of the Placing as if invested in inventories, less the trade creditors of the Inland Group as at 30 June 2012 to (ii) the Inland Group's borrowings net of cash as at 30 June 2012 and amount required to pay the Final Capital Entitlement of the ZDP Shares. Amounts of deferred consideration of up to 60 per cent. of the purchase price of sites is treated as a trade creditor and any excess deferred consideration is treated as Financial Indebtedness. The initial cover on an alternative basis is also shown in paragraph 4 of Part 2;
6. The Wipe-out Hurdle is calculated as the required annual rate of decline in tangible assets resulting in no Final Capital Entitlement being paid on the ZDP Final Payment Date and is expressed as a negative percentage;
7. The Hurdle Rate is calculated as the required annual rate of decline in tangible assets to pay the Final Capital Entitlement or the Issue Price (as applicable) in full and is expressed as a negative percentage;
8. There are no changes to the number of ZDP Shares prior to the winding-up of ZDPCo and the repayment of the ZDP Shares;
9. No changes occur in any relevant taxation law and practice;
10. There are no changes to generally accepted accounting practices relevant to Inland or ZDPCo; and
11. Inland has an indefinite life.

PART 7

ADDITIONAL INFORMATION

1. Responsibility

- 1.1. ZDPCo, Inland, ZDPCo's Directors and the Inland Directors (whose names appear on page 25 of this document) accept responsibility for the information contained in this document. To the best of the knowledge of ZDPCo, Inland, ZDPCo's Directors and the Inland Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

2. Information on ZDPCo

- 2.1. ZDPCo was incorporated in England and Wales on 22 November 2012 with registered number 8303612 under the Companies Act 2006 as a company limited by shares with the name Inland ZDP PLC which is its current legal and commercial name.
- 2.2. On 26 November 2012, ZDPCo obtained a certificate pursuant to section 761 of the Act entitling it to trade and do business.
- 2.3. Since its incorporation, ZDPCo has not commenced operations, nor carried on any significant business and no accounts of ZDPCo have been made up.
- 2.4. The principal legislation under which ZDPCo was formed and operates, and under which the ZDP Shares are issued, is the Act. ZDPCo is not authorised by the FSA.

ZDPCo is domiciled in England. The registered office of ZDPCo is at 2 Anglo Office Park, 67 White Lion Road, Amersham, Buckinghamshire HP7 9FB; Tel. No.: +44 (0)1494 762450.

- 2.5. The life of ZDPCo is limited and it will be wound up on 10 April 2019.

3. Information on Inland

- 3.1. Inland was incorporated in England and Wales on 16 June 2005 under the name Inland Limited with registered number 5482990 under the Companies Acts 1985 (as amended) as a company with limited liability. Inland re-registered as a public limited company on 12 April 2006 under the name of Inland PLC. On 23 November 2011, it changed its name to Inland Homes PLC.
- 3.2. The principal legislation under which Inland operates is the Act. It is also subject to the AIM Rules for Companies published by London Stock Exchange and the Disclosure and Transparency Rules which require the disclosure of interests in shares carrying voting rights representing 3 per cent. or more of the total voting rights capable of being cast in general meeting.
- 3.3. Inland is domiciled in England. The registered office of Inland is at 2 Anglo Office Park, 67 White Lion Road, Amersham, Buckinghamshire HP7 9FB; Tel. No.: +44 (0)1494 762450.
- 3.4. The principal activity of Inland is that of a holding company of a group of companies that deal in real estate.

4. Share Capital of ZDPCo

- 4.1. The issued share capital of ZDPCo as at the date of this document is as follows:

	<i>Amount (£)</i>	<i>Nominal Value</i>	<i>Number</i>
Ordinary Shares	50,000	£1 each	50,000
ZDP Shares	Nil	£0.1 each	Nil

- 4.2. The issued and fully paid share capital of ZDPCo immediately following Admission is expected to be as follows:

	<i>Amount (£)</i>	<i>Nominal Value</i>	<i>Number</i>
Ordinary Shares	50,000	£1 each	50,000
ZDP Shares	850,000	£0.1 each	8,500,000

- 4.3. The ZDPCo Directors have been authorised, pursuant to ZDPCo's Articles of Association, to allot the ZDP Shares up to a maximum nominal amount of £1,200,000, such authority to expire on 21 November 2017.

- 4.4. The ZDP Shares will be in registered form and, from Admission, will be capable of being held in uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the CREST Regulations). Where ZDP Shares are held in certificated form, share certificates will be sent to the registered members or their nominated agent (at their own risk) within 10 days of completion of the registration process or transfer, as the case may be, of the ZDP Shares. Where ZDP Shares are held in CREST, the relevant CREST stock account of the registered members will be credited.

- 4.5. As the ZDP Shares are to be admitted to the Official List (by way of a standard listing under Chapter 14 of the Listing Rules), ZDPCo will be subject to the Disclosure Rules and Transparency Rules. However, for the purposes of continuing obligations and the application of the Disclosure Rules and Transparency Rules on an ongoing basis, ZDPCo will be subject to the Disclosure Rules and Transparency Rules to a reduced extent as ZDPCo will be considered to be an issuer of "preference shares" (as defined in the Listing Rules) for the purposes of the Disclosure Rules and Transparency Rules. Accordingly, DTR 4 (Periodic financial reporting) and DTR 6 (Access to information) will apply to ZDPCo but with a reduced application that is specified in the Disclosure Rules and Transparency Rules to apply to an issuer of preference shares. Additionally, DTR 5 (Vote holder and issuer notification rules) will not apply to ZDPCo at all.

5. Share Capital of Inland

- 5.1. The issued share capital of Inland as at the date of this document is, and immediately following Admission is expected to be, as follows:

	<i>Authorised</i>		<i>Issued and fully paid</i>	
	<i>Number</i>	<i>Nominal Value</i>	<i>Number</i>	<i>Nominal Value</i>
Ordinary Shares of 10 p each	239,990,000	£23,999,000	182,999,484	£18,299,948
Redeemable shares of £1 each	1,000	£1,000	980	£980
Deferred shares of 10p each			180	£18

As at the date of this document, Inland held 1,325,000 of its Ordinary Shares in treasury, accordingly the number of issued Ordinary Shares outside treasury as at the date of this document is 181,674,484.

5.2. Inland Ordinary Shares subject to options as at the date of this document are:

<i>Share option scheme</i>	<i>Exercise price pence</i>	<i>Number</i>	<i>Dates exercisable</i>
Company unapproved	50.0p	710,000	28 March 2010 to 27 March 2017
Company unapproved	16.5p	705,000	17 December 2012 to 16 December 2019
Company unapproved	18.25p	3,000,000	22 November 2013 to 21 November 2020
Company unapproved	17.5p	305,000	25 June 2015 to 24 June 2022

5.3. As at 1 July 2009, Inland's authorised share capital all of which is in registered form, was £24,000,000 divided into 239,990,000 Ordinary Shares of 10p each and 1,000 redeemable shares of £1 each of which 162,150,079 Ordinary Shares, 980 redeemable shares and 180 deferred shares had been issued fully paid or credited as fully paid. Since then there have been the following changes in the authorised and issued share capital of Inland:

5.3.1 On 9 July 2009, 5,280,000 new Ordinary Shares were issued by way of a placing at a price of 10 pence each to raise gross proceeds of £528,000;

5.3.2 On 30 July 2009, 7,385,000 new Ordinary Shares were issued by way of a placing at a price of 10 pence each to raise gross proceeds of £738,500;

5.3.3 On 24 May 2010, 8,184,405 new Ordinary Shares were issued by way of a placing at a price of 18.5 pence per share, to raise gross proceeds of approximately £1,514,000.

5.4. Inland remains subject to the continuing obligations of the AIM Rules and the provisions of section 561 of the Act (which confers on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the authorised but unissued share capital of Inland which is not the subject of disapplication.

6. Mandatory Bids, Squeeze-Out and Sell-Out Rules

6.1 *Mandatory bid*

The City Code on Takeovers and Mergers (the “**City Code**”) applies to ZDPCo and Inland. Under the City Code, if an acquisition of ordinary shares were to increase the aggregate holding of the acquirer and any parties acting in concert with it to ordinary shares carrying 30 per cent. or more of the voting rights in ZDPCo or Inland, the acquirer and, depending on the circumstances, persons acting in concert with the acquirer (“concert parties”), if any, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for shares not already owned by the acquirer or its concert parties (if any) at a price not less than the highest price paid for shares by its concert parties (if any) during the previous 12 months or (where there has been no acquisition of shares of the relevant class) at a comparable price agreed by the Panel. A similar obligation to make such a mandatory cash offer would also arise on the acquisition of shares by a person holding (together with its concert parties, if any) shares carrying at least 30 per cent. but not more than 50 per cent. of the voting rights in ZDPCo or Inland if the effect of such acquisition were to increase the percentage of the aggregate voting rights held by the acquirer and its concert parties (if any).

6.2 *Squeeze-out rules*

Under the Act, if a person (the offeror) who has made a general offer to acquire the ordinary shares were to acquire or unconditionally contract to acquire, not less than 90 per cent. in value of the ordinary shares to which the offer relates, the offeror could then compulsorily acquire the remaining ordinary shares. In order to do so, the offeror would have to send a statutory notice to outstanding ordinary shareholders within three months of the last day on which the offer can be accepted telling them that the offeror wishes to acquire their ordinary shares and send a statutory declaration to ZDPCo or Inland stating that the conditions for the giving of the notice have been satisfied. Six weeks later, the offeror must send a copy of the statutory notice together with, if the ordinary shares are registered, an executed instrument of transfer of the outstanding shares in the offeror's favour to

ZDPCo or Inland and pay the consideration to ZDPCo or Inland, as appropriate, which would hold the consideration on trust for outstanding ordinary shareholders. The consideration offered to those ordinary shareholders whose shares are compulsorily acquired must, in general, be the same as the consideration that was available under the general offer.

6.3 *Sell-out rules*

The Act gives minority ordinary shareholders, a right to be bought out in certain circumstances by a person who has made a general offer as described in paragraph 6.2 above. If, at any time before the end of the period within which the general offer can be accepted, the offeror has acquired, or contracted to acquire, ordinary shares representing not less than 90 per cent. in value of all the ordinary shares in ZDPCo or Inland, any ordinary shareholder to which the general offer relates who has not accepted the general offer can, by a written communication to the offeror, require it to acquire the shareholder shares. The offeror is required to give each shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises his rights, the offeror is entitled and bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

7. **Articles of Association of ZDPCo**

A summary of the main provisions of the Articles is set out below:

7.1 *Objects*

ZDPCo's memorandum and articles of association do not contain an objects clause. Accordingly, ZDPCo has unlimited objects.

7.2 *Life*

- 7.2.1 The Company (which in this paragraph 7 means ZDPCo) shall have a fixed life and shall be placed into voluntary liquidation following a general meeting on 10 April 2019 convened for the purposes of passing a winding-up resolution, such a resolution being a special resolution either at that general meeting or any other general meeting for the purposes of considering winding up the Company (a **"Winding-Up Resolution"**).
- 7.2.2 The vote on any Winding-Up Resolution shall be taken on a poll. Each shareholder voting against the Winding-Up Resolution shall have one vote per share. Each shareholder voting for the Winding-Up Resolution shall have such total number of votes for each share held by them that the aggregate number of votes cast in favour of the Winding-Up Resolution is four times the number of votes cast against the Winding-Up Resolution.
- 7.2.3 In addition to the foregoing, in the event of a change of control of the Parent, the Directors shall, within 20 days of such change of control, convene a general meeting of ZDP Shareholders at which they shall propose a special resolution (the **"Continuation Resolution"**) that the Company continue in existence. At the same time as convening that meeting, the Directors shall: (i) convene a general meeting of the Company at which only Ordinary Shareholders shall be entitled to vote and shall propose an ordinary resolution (the **"Ordinary Resolution"**) that the Company continue in existence; and (ii) convene a general meeting of the Company and shall propose a Winding-Up Resolution which shall be conditional on both the Continuation Resolution and the Ordinary Resolution not being passed. For the purposes of this Article, a change of control shall be deemed to occur where a person or any person acting in concert with it (as such term is defined in the Takeover Code) becomes interested in and exercises voting control over shares representing 50 per cent. or more of the issued ordinary share capital of the Parent (the **"Controller"**). The votes attached to any ZDP Shares owned or controlled by the Controller or any person acting in concert with the Controller shall be disregarded for the purposes of determining whether the Continuation Resolution has been passed.

- 7.2.4 The Directors shall also convene a general meeting of ZDP Shareholders at which they shall propose a Continuation Resolution (but not, for the avoidance of doubt, an Ordinary Resolution) if an event of default occurs under the Loan Note or in the event of a breach of the Contribution Agreement, in each case within 20 days of such default or breach or, if later, the date by which it may be remedied in accordance with Loan Note and/or Contribution Agreement has expired. At the same time as convening that meeting, the Directors shall propose a Winding-Up Resolution, conditional on the Continuation Resolution not being passed.

7.3 *Share rights*

The holders of the ordinary shares and the ZDP Shares shall have the following rights:-

7.3.1 As to dividends:

- (a) the ZDP Shares carry no rights to receive dividends out of the revenue or any other profits of ZDPCo;
- (b) the ordinary shares carry the right to receive the profits of ZDPCo available for distribution and determined to be distributed by way of interim and/or final dividends and at such time as the ZDPCo Directors may determine.

7.3.2 As to winding-up, the assets of ZDPCo available for distribution to members in accordance with the Act shall be applied as follows:

- (a) first there shall be paid to the holders of the ZDP Shares an amount equal to 100p per ZDP Share as increased each day from 20 December 2012 up to and including 10 April 2019 at the daily compound rate which results in a final entitlement of 155.9p on 10 April 2019;
- (b) second, there shall be paid to the holders of the ordinary shares the surplus assets of ZDPCo available for distribution.

7.3.3 As to voting:

(a) ZDP Shares

- (i) the holders of the ZDP Shares shall have the right to receive notice of general meetings of both ZDPCo and, for information only, Inland but shall not have the right to attend or vote either at any general meeting of Inland or of ZDPCo unless in respect of ZDPCo only the business of the meeting includes any resolution to vary, modify or abrogate any of the special rights attached to the ZDP Shares or any resolution to wind up ZDPCo and at any meeting where any such business is to be considered such holders shall be entitled to vote on resolutions in relation to such business alone; and
- (ii) where by virtue of the provisions of sub-paragraph 7.3.3 (a)(i) above the holders of the ZDP Shares are entitled to vote, every such holder present in person or by a duly authorised representative (if a corporation) at a meeting shall, subject always to paragraph 7.2, in relation to such business, have one vote in respect of every ZDP Share held by him;

(b) ordinary shares

- (i) the holders of the ordinary shares shall have the right to receive notice of and attend and vote at general meetings of ZDPCo; and
- (ii) each holder of ordinary shares being present in person or by a duly authorised representative (if a corporation) at a meeting shall upon a show of hands have one vote and upon a poll each such holder present in person or by proxy or by a duly authorised representative (if a corporation) shall have one vote in respect of every ordinary share held by him;

7.4 *Class rights*

- 7.4.1 Subject to paragraphs 7.4.2 and 7.4.3 below, ZDPCo shall not without the previous sanction of a special resolution of the holders of the ZDP Shares passed at a separate general meeting of such holders convened and held in accordance with the provisions of these Articles:
- (a) issue and shall, so far as it is able, procure that no other member of the Group shall, issue (other than to Inland or any directly or indirectly wholly owned subsidiary thereof), further shares or securities, or rights to subscribe for or to convert or exchange any securities into shares or securities save that there may be issued at any time shares, securities or rights to subscribe for or to convert or exchange into shares, and shares may be reclassified as such other shares, provided that in any event the Cover Test is satisfied immediately following such issue;
 - (b) pass a resolution amending Article 49 (as described in paragraph 7.2 above) or releasing the ZDPCo Directors from their obligation to convene a general meeting on 10 April 2019 at which a resolution will be proposed requiring ZDPCo to be wound up voluntarily;
 - (c) pass, and shall so far as it is able, procure that no other member of the Group shall pass, a resolution to reduce the capital of ZDPCo or any member of the Group in any manner, including any resolution authorising the directors of the relevant company to purchase shares in such company save that the relevant company may without such sanction take authority to make, and effect, purchases of its own shares provided that, in any event, the Cover Test would be met immediately following any such purchase;
 - (d) permit ZDPCo or permit any other member of the Group either to increase the aggregate principal amount of monies borrowed by ZDPCo or any other member of the Group (excluding monies borrowed by any one of such companies from any other of them but including monies borrowed from bankers for temporary purposes only and in the ordinary course of business) such that the limits and the restrictions stated in the articles of association of Inland would be breached or amend such limits and restrictions;
 - (e) pass a resolution resulting in less than two individuals from the Board of Directors of the Parent being on the Board of Directors of ZDPCo as constituted from time to time;
 - (f) pass, and shall, so far as it is able, procure that no other member of the Group shall pass, any resolution which authorises the directors of the relevant company to pay a dividend or other distribution or make a capital distribution or otherwise make a payment in cash or kind to the shareholders of the relevant company, save that no such sanction shall be required provided that in any event the Cover Test is satisfied immediately following such payment or making of dividend provided that in the case of the payment of any dividend or other distribution or the making of any capital distribution or otherwise the making of a payment in cash or kind by a member of the Group to shareholders who are also members of the Group, this provision shall not be breached if the Cover immediately prior to the making of the payment or distribution is not reduced as a result of the making of it; or
 - (g) make any variation of the terms of the Loan Note or Contribution Agreement which, at the time of being made, could reasonably be considered to be materially prejudicial to the interests of the holders of the ZDP Shares.

For the purpose of this sub-paragraph 7.4.1, the “Cover Test” is that the ZDP Directors are satisfied (after consulting ZDPCo’s auditors in cases of doubt) that, in their opinion, were the actions detailed in this sub-paragraphs 7.4.1 (a), (c) and (f) above (each an “Action”) to take place on the date specified by the ZDP Directors for such calculation (the “Calculation Date”) those ZDP Shares in issue immediately thereafter would have Cover not less than 1.8 times. In calculating such Cover, the ZDPCo Directors shall:

- (i) use the figures set out in the most recent consolidated management accounts of Inland and its subsidiaries in accordance with international generally accepted accounting practices approved for use in the European Union prepared as at a date within the three months prior to the Calculation Date;
- (ii) assume that the Action had been undertaken at the end of the month prior to the Calculation Date;
- (iii) aggregate the capital entitlements of the existing ZDP Shares and the capital entitlements of any new ZDP Shares or reclassified shares or securities or rights;
- (iv) aggregate the capital entitlements of the existing ZDP Shares and the capital entitlements of any new ZDP Shares (or any other shares ranking as to capital in priority thereto or *pari passu* therewith) to be issued or reclassified as aforesaid, in each case as at the Calculation Date; and
- (v) make such other adjustments as they consider appropriate.

7.4.2 notwithstanding sub-paragraphs 7.3.3 (a) and 7.4.1 above, if any offer is made (whether by ZDPCo or any other person, including proposals for a reduction or cancellation of capital, capitalisation issue, share purchase or repurchase and/or redemption of shares of the relevant class or any shares issued in substitution therefor) to all the holders of ZDP Shares, (other than the offeror and/or persons acting in concert with the offeror) which becomes or is declared unconditional in all respects (or would so become or be declared subject only to the passing of any Recommended Resolution (as defined below)) prior to 10 April 2019, and which enables the holders of the ZDP Shares to receive no later than 10 April 2019 an amount in cash not less than that to which the Directors estimate (so far as practicable at the time and on the basis of such assumptions as they may reasonably deem appropriate) that the ZDP holders would otherwise have been entitled on a winding-up of ZDPCo in accordance with the Articles on the date of such cash payment applying the rate at which the premium over the issue price accrues up to 10 April 2019 (whether or not such offer is accepted in any particular case and ignoring any option to receive alternative consideration) and such offer is recommended by the ZDP Directors and stated to be, in the opinion of a financial adviser appointed by the ZDP Directors, fair and reasonable the provisions of sub-paragraph 7.4.4 below shall apply to the holders of ZDP Shares in relation to any resolution or resolutions (a “Recommended Resolution”) proposed at any general meeting of ZDPCo or at any separate meeting of the holders of ZDP Shares save that the provisions of sub-paragraph 7.4.4 below shall cease as regards such shareholders if either the ZDP Directors consider that the aforementioned offer is unlikely to be honoured or the offeror breaches a material term of the offer or otherwise manifests an intention not to implement the offer;

7.4.3 notwithstanding sub-paragraphs 7.3.3 (a) and 7.4.1 above, if at any time on or before 10 April 2019 a resolution (a “Reconstruction Resolution”) is proposed at any general meeting of ZDPCo or at any separate meeting of any class(es) of shareholders (including the meeting to be convened to consider the winding-up of ZDPCo) to sanction any form of arrangement for the transfer of all or part of ZDPCo’s assets to another entity or any proposals for a reduction or cancellation of capital, capitalisation issue, share purchase or repurchase and/or redemption of any shares (including, without limitation, any further resolutions which the ZDP Directors consider to be necessary or desirable for the purposes of effecting such proposals) and which enables the holders of the ZDP Shares to receive, no later than 10 April 2019, an amount in cash not less than that to which the ZDP Directors estimate (so far as practicable at the time and on the basis of such assumptions as they may reasonably deem appropriate) that such holders would otherwise have been entitled on a winding-up of ZDPCo in accordance with the Articles on 10 April 2019 then (ignoring any option to receive their entitlements otherwise than in cash) provided such arrangement or proposal is recommended by the ZDP Directors and stated to be, in the opinion of a financial adviser appointed by the ZDP Directors, fair and reasonable, the provisions of sub-paragraph 7.4.4 below shall apply

to the holders of the shares in relation to such resolution(s) save that such provisions shall cease as regards such shareholders if the arrangement is not implemented in accordance with its terms; and

- 7.4.4 Where this sub-paragraph 7.4.4 applies in respect of any resolution, the holders of ZDP Shares present in person, by a duly authorised representative (if a corporation) or by proxy and entitled to vote, and who shall vote in favour of such resolution shall collectively have four times the number of votes cast against any such resolution and the previous sanction of the ZDP Shareholders by way of a special resolution shall not be required in any case provided that where, notwithstanding the foregoing, such sanction is required in any case by law, all ZDP Shareholders present in person, by a duly authorised representative (if a corporation) or by proxy and entitled to vote at such meeting and who shall vote in favour of any resolutions recommended by the Directors shall collectively (in respect of the rights attached to all such shares) have four times the number of votes cast against the resolution. The vote on any Recommended Offer Resolution or Reconstruction Resolution shall be taken on a poll.

7.5 ***Variation of rights***

Subject to the provisions of the Act as amended and every other statute for the time being in force concerning companies and affecting ZDPCo (the “Statutes”), if at any time the share capital of ZDPCo is divided into different classes of shares, the rights attached to any class may be varied either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class (excluding any treasury shares) or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class (but not otherwise) and may be so varied either whilst ZDPCo is a going concern or during or in contemplation of a winding-up. At every such separate general meeting the necessary quorum shall be at least one person holding or representing by proxy at least one-third in nominal value of the issued shares of the class in question (but at any adjourned meeting any holder of shares of the class present in person or by proxy shall be a quorum), any holder of shares of the class present in person or by proxy may demand a poll and every such holder shall on a poll have one vote for every share of the class held by him. Where the rights of some only of the shares of any class are to be varied, the foregoing provisions apply as if each group of shares of the class differently treated formed a separate class whose rights are to be varied.

7.6 ***Transfers of shares***

A share in certificated form may be transferred by means of an instrument of transfer in any usual form or any other form approved by the ZDPCo Directors, which is executed by or on behalf of the transferor and, where the share is not fully paid, by or on behalf of the transferee. A share in uncertificated form may be transferred by means of the relevant electronic system concerned.

In their absolute discretion, the ZDPCo Directors may refuse to register the transfer of a share in certificated form which is not fully paid provided that if the share is listed on the Official List such refusal does not prevent dealings in the shares from taking place on an open and proper basis. The ZDPCo Directors may also refuse to register a transfer of a share in certificated form unless the instrument of transfer:

- is lodged, duly stamped, at the registered office of ZDPCo or such other place as the ZDPCo Directors may appoint and is accompanied by the certificate for the share to which it relates and such other evidence as the ZDPCo Directors may reasonably require to show the right of the transferor to make the transfer;
- is in respect of only one class of share; and
- is not in favour of more than four transferees.

The Directors may refuse to register a transfer of a share in uncertificated form in any case where ZDPCo is entitled to refuse to register the transfer under the CREST Regulations provided that such refusal does not prevent dealings in the shares from taking place on an open and proper basis.

If the ZDPCo Directors refuse to register a transfer of a share, they shall within two months after the date on which the transfer was lodged with ZDPCo or, in the case of an uncertificated share, the date on which the appropriate instruction was received by or on behalf of ZDPCo in accordance with the CREST Regulations send to the transferee notice of refusal.

No fee shall be charged for the registration of any instrument of transfer or other document or instruction relating to or affecting the title to any share.

7.7 *Alteration of share capital*

ZDPCo may by ordinary resolution:

- (i) consolidate and divide all or any of its share capital into shares of larger nominal value than its existing shares;
- (ii) sub-divide its shares, or any of them, into shares of smaller nominal value than its existing shares; and
- (iii) determine that, as between the shares resulting from such a sub-division, one or more shares may, as compared with the others, have any such preferred, deferred or other rights or be subject to any such restrictions, as ZDPCo has power to attach to unissued or new shares.

7.8 *Restrictions on rights: failure to respond to a section 793 notice*

If a shareholder, or any other person appearing to be interested in shares held by that shareholder, fails to provide the information requested in a notice given to him under section 793 of the Act by ZDPCo in relation his interest in shares (the “default shares”) within 28 days of the notice (or, where the default shares represent at least 0.25 per cent. of their class, 14 days of the notice), sanctions shall apply unless the ZDPCo Directors determine otherwise. The sanctions available are the suspension of the right to attend or vote (whether in person or by representative or proxy) at any general meeting or any separate meeting of the holders of any class or on any poll and, where the default shares represent at least 0.25 per cent. of their class (excluding treasury shares), the withholding of any dividend payable in respect of those shares and the restriction of the transfer of any shares (subject to certain exceptions).

7.9 *Untraced shareholders*

Subject to various notice requirements, ZDPCo may sell any of a shareholder’s shares if, during a period of 12 years, at least three dividends (either interim or final) on such shares have become payable and no cheque for amounts payable in respect of such shares has been presented and no warrant or other method of payment has been effected and no communication has been received by ZDPCo from the shareholder or person concerned.

7.10 *Appointment of ZDPCo Directors*

Unless ZDPCo determines otherwise by ordinary resolution, the number of ZDPCo Directors (other than alternate ZDPCo Directors) shall not be subject to any maximum but shall not be less than two.

Subject to the Articles, ZDPCo may by ordinary resolution appoint a person who is willing to act as, and is permitted by law to do so, to be a ZDPCo Director either to fill a vacancy or as an additional ZDPCo Director. The ZDPCo Directors may appoint a person who is willing to act, and is permitted by law to do so, to be a ZDPCo Director, either to fill a vacancy or as an additional ZDPCo Director.

7.11 *Powers of ZDPCo Directors*

The business of ZDPCo shall be managed by the ZDPCo Directors who, subject to the provisions of the Articles and to any directions given by special resolution to take, or refrain from taking, specified action, may exercise all the powers of ZDPCo.

Any ZDPCo Director may appoint any other ZDPCo Director, or any other person approved by resolution of the ZDPCo Directors and willing to act and permitted by law to do so, to be an alternate ZDPCo Director.

7.12 *Voting at board meetings*

No business shall be transacted in any meeting of the ZDPCo Directors unless a quorum is present and the quorum may be fixed by the ZDPCo Directors; unless so fixed at any other number the quorum shall be two. A Director shall not be counted in the quorum present in relation to a matter or resolution on which he is not entitled to vote but shall be counted in the quorum present in relation to all other matters or resolutions considered or voted on at the meeting. An alternate Director who is not himself a ZDPCo Director shall, if his appointor is not present, be counted in the quorum.

Questions arising at a meeting of the ZDPCo Directors shall be decided by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

7.13 *Restrictions on voting*

Subject to any other provision of the Articles, a ZDPCo Director shall not vote at a meeting of the ZDPCo Directors on any resolution concerning a matter in which he has, directly or indirectly, a material interest (other than an interest in shares, debentures or other securities of, or otherwise in or through, ZDPCo) unless his interest arises only because the case falls within certain limited categories specified in the Articles.

7.14 *ZDPCo Directors' interests*

Subject to the provisions of the Act and provided that the ZDPCo Director has disclosed to the other ZDPCo Directors the nature and extent of any material interest of his, a ZDPCo Director, notwithstanding his office, may be a party to, or otherwise interested in, any transaction or arrangement with ZDPCo or in which ZDPCo is otherwise interested and may be a ZDPCo Director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate in which ZDPCo is interested.

7.15 *Indemnity*

Subject to the provisions of the Act, ZDPCo may indemnify any person who is a ZDPCo Director, secretary or other officer of ZDPCo, against (a) any liability whether in connection with any negligence, default, breach of duty or breach of trust by him in relation to ZDPCo or any associated company or (b) any other liability incurred by or attaching to him in the actual or purported execution and/or discharge of his duties and/or the exercise or purported exercise of his powers and/or otherwise in relation to or in connection with his duties, powers or office; and purchase and maintain insurance for any person who is a ZDPCo Director, secretary, or other officer or auditor of ZDPCo in relation to anything done or omitted to be done or alleged to have been done or omitted to be done as ZDPCo Director, secretary, officer or auditor.

7.16 *General Meetings*

In the case of the annual general meeting, twenty-one clear days' notice at the least shall be given to all the members and to the auditors. All other general meetings shall also be convened by not less than twenty-one clear days' notice to all those members and to the auditors unless ZDPCo offers members an electronic voting facility and a special resolution reducing the period of notice to not less than fourteen clear days has been passed in which case a general meeting may be convened by not less than fourteen clear days' notice in writing.

No business shall be transacted at any meeting unless a quorum is present. One person entitled to vote upon the business to be transacted, being a shareholder or a proxy for a shareholder or a duly authorised representative of a corporation which is a shareholder shall be a quorum.

A shareholder is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at a meeting of ZDPCo. A shareholder may appoint more than one proxy in relation to a meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. Subject to the provisions of the Act, any corporation (other than ZDPCo itself) which is a shareholder may, by resolution of its directors or other governing body, authorise such person(s) to act as its representative(s) at any meeting of ZDPCo, or at any separate meeting of the holders of any class of shares. Delivery of an appointment of proxy shall not preclude a shareholder from attending and voting at the meeting or at any adjournment of it.

ZDPCo Directors may attend and speak at general meetings and at any separate meeting of the holders of any class of shares, whether or not they are shareholders.

A poll on a resolution may be demanded at a general meeting either before a vote on a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared.

8. Objects and Articles of Inland

The provisions contained in clause 4(a) of Inland's memorandum of association determining its objects state that Inland's main activity is that of a general commercial company and the provisions of clause 4(c) of Inland's memorandum of association specifically state Inland has as one of its objects to "purchase or by any other means acquire freehold, leasehold or any other property for any estate or interest whatever, movable or immovable or any interest in such property, and to sell, lease, let on hire, develop such property, or otherwise turn the same to the advantage of Inland".

In this paragraph 8, references to the "Company" refer to Inland.

The articles of association of Inland adopted pursuant to a special resolution of the Company passed on 26 November 2008 ("Articles") include provisions to the following effect:

8.1 General Meetings

- 8.1.1 The Board may call general meetings whenever and at such times and places as it shall determine. On the requisition of members pursuant to the provisions of the Act, the Board shall promptly convene an extraordinary general meeting in accordance with the requirements of the Act. If there are insufficient directors in the United Kingdom to call a general meeting, the directors in the United Kingdom capable of acting may convene a general meeting in the same manner as nearly as possible as that in which meetings may be convened by the Board.
- 8.1.2 An annual general meeting and a general meeting called for the passing of a resolution shall be called by at least 21 clear days' notice. All other general meetings shall be called by at least 14 clear days' notice. Subject to the provisions of the Articles and to any restrictions imposed on any shares, the notice shall be given to all the members, to each of the directors and to the auditors.
- 8.1.3 The notice shall specify the time and place of the meeting and, in the case of special business, the general nature of that business. All business that is transacted at a general meeting shall be deemed special. All business transacted at an annual general meeting shall be deemed special except:
 - 8.1.3.1 the consideration and adoption of the accounts and balance sheet and the reports of the directors and auditors and other documents required to be annexed to the accounts;
 - 8.1.3.2 the declaration or sanction of dividends;
 - 8.1.3.3 the re-appointment of directors and the appointment of directors in place of those retiring and not offering themselves for appointment or otherwise ceasing to hold office;
 - 8.1.3.4 the appointment and re-appointment of auditors and the fixing, or determination of the manner of the fixing, of their remuneration;

- 8.1.3.5 the grant, renewal or variation of the authorities of Inland in general meeting required by the Acts in relation to the allotment of shares in accordance with article 9;
 - 8.1.3.6 the grant or renewal of the authorities of Inland to repurchase its own shares; and
 - 8.1.3.7 the renewal or regranting of an existing authority for a scrip dividend alternative.
- 8.1.4 In the case of an annual general meeting, the notice shall specify the meeting as such. In the case of a meeting to pass a special resolution, the notice shall specify the intention to propose the resolution as a special resolution.
- 8.1.5 The accidental omission or failure due to circumstances beyond Inland's control to give notice of a meeting, or to send a form of proxy with a notice where required by the Articles, to any person entitled to receive it, or the non-receipt of a notice of meeting or form of proxy by that person, shall not invalidate the proceedings at that meeting.

8.2 *Notices to shareholders*

- 8.2.1 Subject to the provisions of the 2006 Act, Inland will be entitled to send or supply documents, notices or information to its shareholders by making the same available on a website or by other means of electronic communication. Should such document or information be made available on a website, shareholders will be notified of such publication, together with other information enabling the shareholder to access the document.
- 8.2.2 Inland will otherwise be permitted to send or supply notices or documents to its shareholders by other means, including electronic communications, in accordance with the provisions of the Act and the 2006 Act (together the "Acts") and the Articles.
- 8.2.3 No provision of the Articles will prohibit a shareholder from requesting that Inland provide, at no extra cost to the shareholder, a hard copy of any document or notice sent or supplied by Inland.

8.3 *Rights attaching to the Ordinary Shares*

8.3.1 *Dividends*

- 8.3.1.1 Subject to the provisions of the Acts, Inland may by ordinary resolution declare dividends in accordance with the respective rights of the members, provided that no dividend shall exceed the amount recommended by the Board and no dividend shall be payable in respect of any shares of Inland held as treasury shares.
- 8.3.1.2 Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid. Except as otherwise provided by the rights attached to shares, all dividends shall be apportioned and paid proportionately according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.
- 8.3.1.3 Subject to the provisions of the Acts, the Board may declare and pay interim dividends if it considers that the profits of Inland available for distribution justify such payments. If the board acts in good faith, it is not liable to holders of shares with preferred rights for any loss arising from the payment of interim dividends on any shares ranking after those with preferred rights. No dividend or other monies payable in respect of a share shall carry a right to receive interest from Inland unless otherwise provided by the rights attached to those shares.
- 8.3.1.4 The Board may, with the authority of an ordinary resolution of Inland, direct that payment of any dividend be satisfied in whole or in part by the distribution of specific assets, including without limitation paid up shares or debentures of another company.

- 8.3.1.5 The Board may, with the authority of an ordinary resolution of Inland, offer any shareholder the right to elect to receive further Ordinary Shares credited as fully paid instead of cash in respect of any dividend or part thereof. The board may implement and maintain one or more share dividend or distribution reinvestment plans, including or instead of offering scrip dividends in accordance with the Articles.
- 8.3.1.6 Any dividend which has remained unclaimed for 12 years from the date when it became due for payment shall, if the board so resolves, be forfeited and shall cease to be owed by Inland.
- 8.3.1.7 Inland may cease sending dividend warrants and cheques by post or otherwise to a member if such instruments have been returned undelivered to, or left uncashed by, that member on at least two consecutive occasions, or, following one such occasion, reasonable enquiries have failed to establish any new address of the registered holder.

8.3.2 *Voting rights*

- 8.3.2.1 Subject to any rights or restrictions as to voting attached to any shares, on a show of hands every member who is present in person shall have one vote and, on a poll, every member present in person or by proxy shall have one vote for every share of which he is the holder.
- 8.3.2.2 No member shall be entitled to attend or to vote at a general meeting or at a separate meeting of the holders of any class of shares in the capital of Inland, either in person or by proxy, in respect of any share held by him if any calls or other monies due and payable in respect of such share remain unpaid.

8.3.3 *Rights attaching to Ordinary Shares on a distribution of assets*

- 8.3.3.1 On a winding-up of Inland, with the sanction of a special resolution and any other sanction required by law, the liquidator may divide amongst the members in kind the whole or any part of the assets of Inland in such manner as he may determine, or transfer the whole or any part of the assets to trustees on such trusts for the benefit of the members as he, with the same authority, determines. The liquidator shall not, however (except with the consent of the member concerned), distribute to a member any asset to which there is attached a liability or potential liability for the owner.

8.4 *Transfers of Ordinary Shares*

- 8.4.1 Transfers of Ordinary Shares may be effected by an instrument of transfer in any usual form or in any other form approved by the Board. The instrument of transfer of a share shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee or, if held in uncertificated form, must be made by means of a relevant system.
- 8.4.2 The Board may, in its absolute discretion and without giving any reason therefor, refuse to register any transfer of a certificated share which is not fully paid, provided that such refusal does not prevent dealings in the share from taking place on an open and proper basis. The board may also refuse to register any instrument of transfer of a certificated share if:
 - (i) it is in respect of more than one class of shares;
 - (ii) it is not duly stamped (if required);
 - (iii) it is not delivered for registration to the office or such other place as the Board may from time to time determine, accompanied by the certificate to which it relates;

and the Board may refuse to register any allotment or transfer of shares, in its absolute discretion and without giving any reason therefore, which is in favour of:

- (i) a child, bankrupt or person of unsound mind; or
- (ii) more than four joint allottees or transferees.

8.5. *Rights attaching to redeemable shares and deferred shares*

8.5.1 Rights attaching to redeemable shares

- 8.5.1.1 The redeemable shares do not confer a right to be paid a dividend.
- 8.5.1.2 On a return of capital on winding-up (but not otherwise), the holders of the redeemable shares shall be entitled to participate in the Company's assets available for distribution among the members in accordance with article 5.8.
- 8.5.1.3 The holders of the redeemable shares have the right to receive notice of and to attend general meetings of the Company, and shall be entitled in general meetings of the Company to one vote per redeemable share held.

8.5.2 Rights attaching to deferred shares

Deferred shares shall not confer the right to be paid a dividend or to receive notice of or to attend or vote at a general meeting. On a winding up, after the distribution of the first £10,000,000,000 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. The deferred shares shall not, save as referred to in article 5.11, be transferable. Automatic conversion of a redeemable share into a deferred share is deemed to confer irrevocable authority on the board at any time to do all or any of the following without obtaining the sanction of the holder of any or all of the deferred shares:

- 8.5.2.1 to appoint a person to execute on behalf of each holder of deferred shares an instrument of transfer for or an agreement to transfer (or both) all or some of the deferred shares, without making a payment to the holder, to such person as the board may decide, as custodian;
- 8.5.2.2 to purchase all or some of the deferred shares (subject to the provisions of the Acts) for a price of 1 pence for all the deferred shares purchased, without obtaining the sanction of the holder;
- 8.5.2.3 for the purposes of any such purchase, to appoint any person to execute on behalf of the holder of deferred shares a contract for the sale to the Company of any such deferred shares by him or her; and
- 8.5.2.4 to cancel all or any of the same so purchased in accordance with the Acts.

8.6 *Disclosure of interests in shares*

8.6.1 If any member or other person appearing to be interested in shares of Inland has been duly served with a notice under section 793 of the 2006 Act and is in default for the prescribed period in supplying to Inland the information thereby required, or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material particular, then the board may impose restrictions upon the relevant shares.

8.6.2 The restrictions available to the board are the suspension of voting or other rights conferred by membership in relation to meetings of Inland in respect of the relevant shares and, additionally, in the case of a shareholding representing at least 0.25 per cent. of the class of shares concerned, the withholding of payment of dividends on, and the restriction on transfers of, the relevant shares.

8.7 *Changes in share capital*

8.7.1 Subject to the provisions of the Acts and without prejudice to any rights attached to any existing shares or class of shares, any share may be issued with such rights or restrictions as Inland may by ordinary resolution determine or, subject to and in default of such determination, as the Board shall determine. Subject to the provisions of the Acts, Inland may issue shares which are, or at the option of Inland or the holder are liable, to be redeemed. Subject to the provisions of the Acts and the Articles, unissued shares are at the disposal of the board.

8.7.2 Subject to the provisions of the Acts Inland may, by ordinary resolution, increase its share capital; consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares; subdivide its shares, or any of them, into shares of a smaller amount than is fixed by the memorandum of association; or cancel any shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

8.7.3 Subject to the provisions of the Acts, Inland may, by special resolution, reduce its authorised and issued share capital, any capital redemption reserve and any share premium account in any way and may also, subject to the Acts, and the rights attached to any class of shares, purchase its own shares.

8.8 *Variation of rights*

8.8.1 Subject to the provisions of the Acts, all or any of the rights attached to any class of shares may (unless further conditions are provided by the terms of issue of the shares of that class) be varied or abrogated in such manner as may be provided by such rights or, in the absence of such provision, either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of holders of the shares of the class (but not otherwise).

8.8.2 The rights attaching to any shares or class of shares are not, unless otherwise expressly provided, deemed to be varied or abrogated by the creation or issue of shares ranking *pari passu* with, or subsequent to, them or by the purchase or redemption by Inland of any of its own shares in accordance with the Acts and the Articles.

8.9 *Lien and forfeiture*

Inland will have a first and paramount lien (enforceable by sale) on every partly paid share (including dividends payable on such a share) for all monies payable to Inland in respect of such share. The Board may call any monies unpaid on shares and may forfeit shares on which calls payable are not duly paid. The forfeiture shall include all dividends or other monies payable in respect of the forfeited shares which have not been paid before the forfeiture.

8.10 *Directors' interests*

A director shall not vote at, or count towards the quorum in relation to, a meeting of the Board or a committee of the Board on any resolution of the Board concerning a matter in which he has an interest (otherwise than by virtue of his interest in shares, debentures or other securities of, or otherwise in or through, Inland) unless his interest arises only because the case falls within one or more of the following paragraphs:

8.10.1 any transaction or arrangement in which he is interested by virtue of an interest in shares, debentures or other securities of the Company or otherwise in or through the Company;

8.10.2 the giving of a guarantee, security or indemnity in respect of money lent, or obligations incurred by him or any other person, at the request of, or for the benefit of, Inland or any of its subsidiary undertakings;

8.10.3 the giving of a guarantee, security or indemnity in respect of a debt or obligation of Inland or any of its subsidiary undertakings for which he has assumed responsibility (in whole or in part whether alone or jointly with others) under a guarantee or indemnity or by the giving of security;

8.10.4 an indemnification by Inland in relation to the performance of his duties on behalf of Inland or any of its subsidiary undertakings;

8.9.5 a contract, arrangement, transaction or proposal concerning an offer of shares, debentures or other securities of Inland or any of its subsidiary undertakings for subscriptions or purchase, in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

- 8.10.6 any arrangement or transaction concerning any other body corporate in which he is interested, within the meaning of Part VI of the Act, directly or indirectly, whether as an officer or shareholder or otherwise, provided that he or any person connected with him is not the holder of or beneficially interested in shares representing one per cent or more of either any class of the equity share capital of such body corporate or of the voting rights available to members of the relevant body corporate;
- 8.10.7 any arrangement for the benefit of the employees of Inland or any of its subsidiaries undertakings which does not award him any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and
- 8.9.8 any contract concerning any insurance which Inland is empowered to purchase or maintain for, or for the benefit of, any directors of Inland or for persons who include directors of Inland.

8.11 *Remuneration of Directors*

- 8.11.1 The remuneration of the directors who do not hold executive office for their services (excluding amounts payable under any other provisions of the Articles) shall not exceed in aggregate £200,000 per annum or such higher amount as Inland may from time to time by ordinary resolution determine. Subject thereto, each such director shall be paid a fee (which shall be deemed to accrue from day to day) at such rate as may from time to time be determined by the board. Any director who is appointed to any executive office shall be entitled to receive such remuneration as the Board may determine.
- 8.11.2 Any director not holding executive office and who serves on any committee of the Board or who devotes special attention to the business of Inland, or who otherwise performs special services which in the opinion of the directors are outside the scope of the ordinary duties of a director, may (without prejudice to section 8.10.1 above) be paid such reasonable additional remuneration for such services by way of additional fees, salary, percentage of profits or otherwise, as the Board may from time to time determine.
- 8.11.3 The Board may provide benefits, whether by the payment of gratuities, pensions, death or disability benefits or otherwise, for any past or present director (or other employee of Inland or any subsidiary or associated company), or any member of his family, or any person who is or was dependent on him and may contribute to any fund and pay premiums for the purchase or provision of such benefit.
- 8.11.4 The directors shall be entitled to be repaid by Inland all reasonable travelling, hotel and other expenses properly incurred in the performance of his duties as a director, including in attending meetings of the Board or committees of the Board or general meetings.

8.12 *Appointment of Directors*

- 8.12.1 Directors may be appointed by Inland by ordinary resolution or by the Board. A director appointed by the board holds office only until the next annual general meeting and is not taken into account in determining the directors who are to retire by rotation at that meeting. Unless and until otherwise determined by ordinary resolution, the number of directors shall not be less than two and shall not be subject to any maximum.
- 8.12.2 A director shall not be required to hold any shares of Inland by way of qualification.

8.13 *Retirement of Directors by rotation*

At each annual general meeting after the date of adoption of the Articles, one-third of the directors (or the number nearest to one-third) subject to retirement will retire by rotation and be eligible for re-election. The directors to retire will be those who have been longest in office since their last appointment or reappointment or, in the case of those who were appointed or reappointed on the same day, will (unless they otherwise agree) be determined by lot.

8.14 *Alternate Directors*

- 8.14.1 Any director (other than an alternate director) may appoint any other director, or any other person approved by resolution of the board and willing to act, to be an alternate director and may remove from office an alternate director so appointed by him. Such alternate directors shall be entitled to receive notice of all meetings of the Board and of all meetings of committees of the Board of which his appointor is a member.
- 8.14.2 A director or any other person may act as alternate director to represent more than one director, and an alternate director shall be entitled at meetings of the Board or any committee of the Board to one vote for every director whom he represents (and who is not present) in addition to his own vote (if any) as a director, but he shall count as only one for the purpose of determining whether a quorum is present.
- 8.14.3 An alternate director may be repaid by Inland such expenses as might properly have been repaid to him if he had been a director but shall not be entitled to receive any fees from Inland in respect of his services as an alternate director.
- 8.14.4 An alternate director shall cease to be an alternate director (i) if his appointor ceases to be a director; but, if a director retires by rotation or otherwise but is re-appointed or deemed to have been re-appointed at the meeting at which he retires, any appointment of an alternate director made by him which was in force immediately prior to his retirement shall continue after his re-appointment; or (ii) on the happening of any event which, if he were a director, would cause him to vacate his office as director.

8.15 *Directors' Meetings*

- 8.15.1 Subject to the provisions of the Articles, the Board may regulate its proceedings as it thinks fit. The quorum for meetings of the board of directors, unless so fixed at any number, shall be two. A person who holds office only as an alternate director shall, if his appointor is not present, be counted in the quorum. Directors' meetings may be held by telephone and directors so deemed to be present shall be entitled to vote and be counted in a quorum accordingly.
- 8.15.2 All acts done by a meeting of the Board, or of a committee of the Board, or by a person acting as a director or alternate director, shall, notwithstanding that it be afterwards discovered that there was a defect in the appointment of any director or any member of the committee or alternate director or that any of them were disqualified from holding office, or had vacated office, or were not entitled to vote, be as valid as if every person had been duly appointed and was qualified and had continued to be a director or, as the case may be, an alternate director and had been entitled to vote.

8.16 *Borrowing Powers*

Subject to the provisions of the Articles, the Directors may exercise all the powers of the Company to borrow money, to mortgage or charge all or any part of the undertaking, property, assets (present and future) and uncalled capital, to issue debentures and other securities, and to give security, either outright or as collateral security for any debt, liability or obligation of Inland, or of a third party.

9. Other Directorships

- 9.1 In addition to their directorships of ZDPCo and/or Inland, as appropriate and of subsidiaries of Inland, the ZDPCo Directors and Inland Directors hold or have held the following directorships and are or were members of the following partnerships, within the past five years:

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
Terry Roydon	Hansom Property Company Limited PPS Group Limited Hawksmead Limited Larkfleet Limited Dom Development S.A Kimberly Enterprises N.V. (formerly Engel East Europe N.V.) Bravirocha-Sociedade de Apoio e Manutenção a Rocha Brava, Lda Arte e Renovação-Sociedade Imobiliária, Lda Lusitagus-Comércio Internacional, Lda RilaDev o.o.d.	St. Helen's School Ltd McCann Homes Holdings Limited (in liquidation) MHL Realisations Ltd (formerly McCann Homes Ltd, in liquidation) Magnum Fine Wines Ltd Robust Details Limited Adama Holding Public Ltd.
Stephen Wicks	Stephen Wicks Developments Limited Highlands Village Limited Prime Assets Limited Howarth Homes plc Cedar Green Homes Limited Development Funding Ltd Harvey Road (Rickmansworth) Ltd	Amersham Homes Unlimited (dissolved) Bryanstone House (Leominster) Management Company Limited (dissolved) Chancery Lane Properties Unlimited (dissolved) Horsham Homes Unlimited (dissolved) Logic Homes Ltd
Nishith Malde	Highlands Village Limited Prime Assets Ltd Howarth Homes plc Energiser Investments plc World Life Sciences Limited Urco Limited Development Funding Limited Cedar Green Homes Limited Double Helix Partnership Harvey Road (Rickmansworth) Limited Hamworthy Investments Limited	Amersham Homes Unlimited (dissolved) Carina Capital Limited EiRx Pharma Limited (dissolved) Horsham Homes Unlimited (dissolved) SLR Holdings Limited SLR Management Limited Chancery Lane Properties Unlimited (dissolved)
Paul Brett	Fulmer Developments Limited	Fulmer Estates Ltd (dissolved)
Simon Bennett	Citicourt & Co Limited Energiser Investments plc Incremental Capital LLP Saba Capital Partners LLP Urco Limited World Life Sciences Limited Development Funding Limited	EiRx Pharma Limited (dissolved) Kamstar Limited (in liquidation) Carina Capital Ltd (dissolved)

- 9.2 Terry Roydon was a director until May 2011 of McCann Homes Holdings Ltd and MHL Realisations Ltd (formerly McCann Homes Limited) which went into creditors' voluntary liquidation in May 2011. The management worked out the assets with the agreement of Bank of Scotland so that at the point of liquidation most creditors had been paid except the bank itself, which was owed £55,238,373. A progress report in respect of MHL Realisations Ltd dated 10 July 2012 shows that £74,676 will be paid to unsecured creditors and that the Bank of Scotland has received £215,260.51 since the liquidators were appointed.
- 9.3 Nishith Malde and Simon Bennett were directors of EiRx Pharma Limited when it was placed in members' voluntary liquidation on 12 August 2008. A declaration of solvency was filed on 14 August 2008. There was no shortfall to creditors.
- 9.4 Save as disclosed in paragraphs 9.2 and 9.3 above, within the period of five years preceding the date of this document none of the ZDPCo Directors and Inland Directors:
- 9.4.1 has any convictions in relation to fraudulent offences;
- 9.4.2 has been a director or senior manager (who is relevant to establishing that a company has the appropriate expertise and experience for the management of that company) of any company at the time of any bankruptcy, receivership or liquidation of such company; or
- 9.4.3 has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.
- 9.5 None of the ZDPCo Directors and Inland Directors has any potential conflicts of interest between their duties to ZDPCo and Inland and their private interests or other duties.

10. Directors' Remuneration

- 10.1 The aggregate of the remuneration (including any contingent or deferred compensation) paid and benefits in kind granted to the Inland Directors by Inland in respect of the financial year ended 30 June 2012 was £1.203m made up as follows:

	<i>Salary/fees</i>	<i>Bonus</i>	<i>Benefits</i>	<i>Pension</i>	<i>Total remuneration</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£'000</i>
Executive Directors					
S D Wicks	315	115	28	—	458
N Malde	263	115	25	50	453
P Brett	179	16	11	18	224
Non-executive Directors					
T Roydon	38	—	—	—	38
S Bennett	30	—	—	—	30

- 10.2 The total amount set aside or accrued by Inland to provide pension, retirement or similar benefits in respect of the financial year ended 30 June 2013 is £68,000.

11. Directors' and Other Interests

11.1 As at the date of this document, no ZDPCo Director held any interest in the share capital of ZDPCo.

11.2 If the Placing Agreement becomes unconditional and all placing commitments to subscribe for ZDP Shares in the Placing are honoured in full, the following Placee will hold more than 5 per cent. of the ZDP Shares in issue:

<i>Placee</i>	<i>Placing commitment (‘000 of ZDP Shares)</i>	<i>Percent of ZDP Shares expected to be issued</i>
Premier Fund Managers Ltd	4,094	48
Walker Crips Stockbrokers *	1,448	17
Brewin Dolphin Ltd *	866	10
Brooks MacDonald Asset Management Ltd	850	10

* indicates combined holdings in respect of independently managed funds

None of the Shareholders referred to in this paragraph 11.2 has different voting rights from any other holder of Shares in respect of any Shares held by them.

11.3 The table below sets out the interests of the Inland Directors in the share capital of Inland and the percentage interest in the issued shares of the relevant class not held in treasury as at the date of this document:

	<i>Inland Ordinary Shares</i>	<i>per cent.</i>	<i>Inland redeemable shares</i>	<i>per cent.</i>
S D Wicks +	16,237,332	8.94	490	50.00
N Malde +	11,072,400	6.09	392	40.00
P Brett+	3,444,214	1.90	98	10.00
T Roydon	325,000	0.02	—	—
S Bennett	110,000	0.01	—	—

+ indicates a director of ZDPCo

The Inland Directors hold options to acquire Ordinary Shares in Inland as follows:

<i>Name</i>	<i>Date of grant</i>	<i>Exercise dates</i>	<i>Number</i>	<i>Exercise price</i>
S Wicks	22 Nov 2010	22 Nov 2013 to 21 Nov 2020	1,500,000	18.25p
N Malde	22 Nov 2010	22 Nov 2013 to 21 Nov 2020	1,500,000	18.25p
P Brett	8 Mar 2007	28 Mar 2010 to 27 Mar 2017	700,000	50.00p
P Brett	17 Dec 2009	17 Dec 2012 to 16 Dec 2019	400,000	16.50p

11.4 As at the date of this document, no options over ZDPCo's shares were outstanding or had been granted to the ZDPCo Directors or Inland Directors and save as disclosed in paragraph 5.2, 11.3 and 13 of this Part 7, no options over Inlands' shares were outstanding or had been granted to the Inland Directors.

11.5 Save as set out in this Part 7, following the Placing no ZDPCo Director or Inland Director has (or in the case of the Placing, will have) any interest in the share capital of ZDPCo, Inland or any of its subsidiaries.

11.6 Following the Placing, Inland will continue to hold all of the voting rights in ZDPCo. ZDPCo does not, and will not following the Placing, have any shareholders whose interests in ZDPCo's capital or voting rights are required to be notified under the Disclosure and Transparency Rules.

- 11.7 So far as is known to Inland by virtue of the notifications made to it pursuant to the Act and/or the Disclosure and Transparency Rules, as at the Latest Practicable Date) the following persons (other than the Inland Directors) held directly or indirectly three per cent. or more of Inland's total voting rights:

<i>Name</i>	<i>Number of voting rights held</i>	<i>per cent. of voting rights</i>
Mark Dixon	24,000,000	13.21
Karoo Investment Fund SCA SICAV SIF	22,700,000	12.49
Anthony Brett	11,500,000	6.33
Henderson Global Investors Ltd	10,098,143	5.56
Unique Ltd	5,652,329	3.11

Save as set out in this Part 7, Inland is not aware of any other person who holds as shareholder (within the meaning of the Disclosure Rules and Transparency Rules), directly or indirectly, three per cent. or more of the voting rights of Inland.

- 11.8 None of the shareholders referred to in paragraphs 11.3 or 11.7 above have different voting rights from any other holder of shares in respect of any shares held by them.
- 11.9 Inland is not aware of any person who directly or indirectly, jointly or severally, owns or could exercise control over Inland.
- 11.10 ZDPCo is not aware of any person (other than Inland) who immediately following Admission will directly or indirectly, jointly or severally, own or could exercise control over ZDPCo.

12. Service contracts and Letters of Appointment

12.1 Inland Directors' service contracts

- 12.1.1 Nishith Malde and Stephen Wicks entered into service agreements with Inland on 8 March 2007. Each of these agreements is terminable by either party giving the other 12 months' written notice. The agreements do not provide for any payment of benefits to N Malde or S Wicks upon termination of their employment.

Paul Brett entered into a service agreement with Inland on 26 November 2012. This agreement is terminable by either party giving the other three months' written notice. The agreement does not provide for any payment of benefits to P Brett upon termination of his employment.

The agreements referred to above have subsequently been amended as agreed with the remuneration committee and currently provide for the following:

<i>Director</i>	<i>Annual salary</i>	<i>Position</i>	<i>Period served</i>
Stephen Wicks	£275,000	Chief Executive	Since 1 September 2005
Nishith Malde	£275,000	Finance Director	Since 1 September 2005
Paul Brett	£187,000	Land Director	Since 1 August 2005

- 12.1.2 Each of the agreements referred to in 12.1.1 above contains confidentiality provisions and restrictive covenants on the part of the relevant director that, during the term of the agreement and for a period of 6 months thereafter, the director shall not, without the prior approval of the Inland Board, be concerned with any business that competes with the Group nor solicit any Land Agents or Relevant Housebuilders (as such terms are defined therein) or employees of the Group.

12.1.3 In addition, the following benefits and emoluments are also granted to each of N Malde, S Wicks and P Brett under the terms of the agreements referred to in 12.2.1 above:

- (i) in respect of S Wicks and N Malde a contribution by Inland of a sum equal to 20 per cent. of those directors' annual salary in respect of a personal pension scheme; and a contribution by Inland of a sum equal to 10 per cent. of P Brett's annual salary to his personal pension scheme;
- (ii) fully expensed company car or annual car allowance of £20,000 for S Wicks and N Malde and £9,600 for P Brett;
- (iii) entitlement to annual discretionary bonus, up to a maximum of 100 per cent. of basic salary;
- (iv) contribution by Inland of a sum equal to the premiums necessary to provide N Malde, S Wicks and P Brett (including each of their spouses and dependent children) with private health care insurance;
- (v) entitlement to participate, at Inland's expense, in a permanent health and death in service insurance scheme; and
- (vi) 25 days holiday entitlement and statutory sick pay.

12.1.4 The aggregate amount of the remuneration paid and benefits in kind granted to N Malde, S Wicks and P Brett in respect of the period ended 30 June 2012 was £1,135,000.

12.2 Inland Directors' letters of appointment

12.2.1 Pursuant to a letter of appointment dated 8 March 2007, Hansom Property Company Limited will provide the services of Terry Roydon to Inland as Non executive chairman. The letter of appointment governs the terms of appointment of Mr Roydon as non executive director and chairman of Inland, for an initial three year term, in consideration for the payment of an annual fee to Hansom Property Company Limited of £30,000, and sets out the responsibilities and duties required of Mr Roydon, including attendance at Inland Board meetings and his appointment to the remuneration and audit committees of the Inland Board. The letter of appointment also contains provisions protecting confidential information relating to the Group. The terms of Mr Roydon's appointment has subsequently been extended to 8 March 2013 and the annual fee increased to £45,000.

12.2.2 Pursuant to a letter of appointment dated 8 March 2007, Incremental Capital LLP will provide the services of Simon Bennett to Inland as a non executive director. The letter of appointment governs the terms of appointment of Mr Bennett as Non executive director of Inland, for an initial three year term, in consideration for the payment of an annual fee to Incremental Capital LLP of £25,000, and sets out the responsibilities and duties required of Mr Bennett, including attendance at Inland Board meetings and his appointment to the remuneration and audit committees of the Inland Board. The letter of appointment also contains provisions protecting confidential information relating to the Group. The terms of Mr Bennett's appointment has subsequently been extended to 8 March 2013 and the annual fee increased to £35,000.

12.3 ZDPCo Directors' Letters of Appointment

Each of the ZDPCo Directors entered into a letter of appointment with ZDPCo on the date of this document. Under the letters of appointment, each ZDPCo Director has agreed, to act as a director of ZDPCo on the terms of his service agreement with Inland (described in paragraph 12.1 of this Part 7). No additional remuneration is payable to the ZDPCo Directors in respect of the provision of services to ZDPCo and Inland will be responsible for all and any amounts which may become payable to the ZDPCo Directors in respect of expenses for which they are entitled to be reimbursed under the terms of their service agreements (described in paragraph 12.1 of this Part 7) as directors of a wholly owned subsidiary of Inland. The letters of appointment are conditional on Admission.

13. Share Incentive Scheme Arrangements

The Inland Group has adopted the following share incentive schemes in order to enable employees to share in the success of Inland and to promote employee motivation and retention.

Inland operates two schemes for the benefit of its employees and officers, namely the Incentive Share Scheme and the Share Option Scheme:

Incentive Share Scheme

£1,000 in nominal value of a class of shares (of par value £1.00) have been designated as “redeemable shares” (the “Incentive Shares”).

As at the Latest Practicable Date, 980 Incentive Shares exchangeable for a total of 11,123,494 Inland Ordinary Shares, which were conditionally allotted on 8 March 2007 are currently in issue and are held by the following Executive Directors as follows:

<i>Name of Executive</i>	<i>Number of Incentive Shares</i>
Stephen Desmond Wicks	490
Nishith Malde FCA	392
Paul Brett	98

The Incentive Shares do not entitle their holders to receive any dividends and carry one vote per share in general meetings. On a return of capital, holders will receive £1.00 per share unless the performance conditions described below are met, in which event the entitlement of holders will be enhanced as described below.

In the event that (i) the return to holders of Inland Ordinary Shares (calculated as dividends received, together with the increase in share price in excess of 50p exceeds 10 per cent. per annum compounded annually; and (ii) the relevant holder of Incentive Shares has not voluntarily ceased to be employed by or engaged to provide services to Inland or any Group company or been dismissed for cause then the following provisions will apply:

- (i) on a takeover (including a takeover effected by a scheme of arrangement) the holders of the Incentive Shares will become entitled to redeem their shares at a price which is calculated so as to attribute to all the Incentive Shares the difference between the takeover offer price per share and 35p (or such other sum as is agreed with HM Revenue & Customs) multiplied by 11,123,494; or
- (ii) on a winding up, the assets attributable to the Incentive Shares will likewise be calculated to be such amount as would represent the difference between the amount attributable to each Ordinary Share and 35p (or such other sum as is agreed with HM Revenue & Customs) multiplied by 11,123,494.

Share Option Scheme

Inland has also adopted a share option scheme for the benefit of the Inland Group’s employees. As at the Latest Practicable Date, there were 4,670,000 options outstanding over Inland Ordinary Shares.

Options granted pursuant to the Share Option Scheme are subject to an aggregate limit of 10 per cent. of the issued share capital of Inland from time to time, less 11,123,494 Inland Ordinary Shares.

The Inland Board may attach such performance conditions to the options as it thinks fit, and such conditions may be measured over a continuous period of time commencing no earlier than the financial year during which the option is granted.

In the event of any capitalisation, rights issue, consolidation, subdivision, reduction or other variation to the share capital of Inland, the Inland Board shall determine any adjustments necessary to the number of Inland Ordinary Shares comprised in an option and the exercise price in respect of such Inland Ordinary Shares under this share option scheme.

The exercise price in respect of the options shall not be less than (i) the Market Value of an Inland Ordinary Share at the date of grant of the option; or (ii) if greater, the nominal value of an Inland Ordinary Share. For the purposes of determining the exercise price “Market Value” shall be (i) where the Inland Ordinary Shares are traded on AIM, the average of the closing mid-market quotation of Inland Ordinary Shares on the Official List (AIM) of the London Stock Exchange for the three dealing days prior to the date of grant of an option; and (ii) where the Inland Ordinary Shares are not listed on AIM, the value of an Inland Ordinary Share as determined by the Inland Board in its absolute discretion, having regard to the provisions of Part VIII of the Taxation of Chargeable Gains Act 1992.

Options granted to employees of Inland or its subsidiaries shall vest on a takeover or winding-up of Inland or, if earlier, three years from the date of grant. The Inland Board may otherwise provide for different vesting schedules in respect of options granted.

14. Organisational Structure and Subsidiaries

14.1 Inland is the holding company of the Group, the principal activities of which are described in paragraph 3 of Part 1 above.

14.2 Inland has the following significant undertakings, each of which is (save where otherwise stated) incorporated in England and Wales and, save for Howarth Homes plc, is wholly-owned, either directly or indirectly, by Inland and consolidated into the annual financial statements of Inland:

Company name	Country of registration	Principal activity	Holding	Class of shares
Inland Limited	England & Wales	Real estate development	100 per cent.	Ordinary
Poole Investments plc	England & Wales	Real estate investment	100 per cent.	Ordinary
Inland Housing Limited	England & Wales	Real estate development	100 per cent.	Ordinary
Inland Finance Limited	England & Wales	Provision of alternative finance	100 per cent.	Ordinary
Inland Developments Limited	England & Wales	Real estate development	100 per cent.	Ordinary
Inland Homes (Essex) Limited	England & Wales	Real estate development	100 per cent.	Ordinary
Inland Homes Developments Limited	England & Wales	Real estate development	100 per cent.	Ordinary
Inland New Homes Limited	England & Wales	Dormant	100 per cent.	Ordinary
Howarth Homes plc	England & Wales	Housebuilder	33 per cent.	Ordinary
Inland ZDP PLC	England & Wales	Non trading	100 per cent.	Ordinary

14.3 ZDPCo is a wholly owned subsidiary of Inland. ZDPCo has no subsidiaries.

15. United Kingdom Taxation

15.1 General

The information contained in this document in relation to UK tax matters is a summary of the UK taxation matters which the Directors consider should be brought to the attention of prospective holders of ZDP Shares. These statements are intended to apply only as a general guide to current UK tax law and to the current published practice of HM Revenue & Customs, both of which are subject to change, possibly with retrospective effect. Furthermore, they are intended to apply only to ZDP Shareholders who are resident, and in the case of individuals, ordinarily resident in the UK for UK tax purposes, who hold ZDP Shares as investments and who are the beneficial owners of their ZDP Shares. The information is intended by way of a general guide only and does not constitute legal or tax advice. The tax position of prospective ZDP Shareholders, and the benefit of any of the tax treatments outlined below, will depend on individual circumstances as well as on tax rates and reliefs all of which can change; this is recognised by the use of the word “generally” throughout this section. Prospective investors should consult their own professional advisers on the potential tax consequences of acquiring, holding and disposing of ZDP Shares.

Inland

15.2 UK corporation tax

The Board intends to continue to conduct Inland's affairs so as to satisfy the conditions for approval as an investment trust under section 1159 to the Corporation Tax Act 2010. In respect of each accounting period for which approval is granted, Inland will be exempt from UK taxation on its capital gains. However, capital gains made in other jurisdictions may be liable to tax in those jurisdictions.

Inland will be liable to UK corporation tax on its income in the normal way with dividends from UK resident companies and (as a result of legislation which took effect from 1 July 2009) non-UK resident companies being generally exempt from corporation tax. Income arising from overseas investments may be subject to foreign withholding tax at the relevant country's applicable rate, but double taxation relief may be available.

ZDP Shareholders

15.3 UK Capital Gains Tax

The ZDP Shares will constitute chargeable assets for UK capital gains tax purposes, and accordingly ZDP Shareholders who are resident or ordinarily resident in the UK may, depending on their circumstances, be liable to UK tax on capital gains realised on a disposal of their ZDP Shares. Gains arising to holders of ZDP Shares who are dealing in securities may be treated as income and taxed as such.

(a) UK Individual Shareholders

In the case of an individual ZDP Shareholder, any gains realised on the sale of their ZDP Shares to third parties or the disposal of their ZDP Shares in the course of the winding up of ZDPCo will generally be calculated for UK tax purposes based on the disposal proceeds received less the sum of the base cost of their ZDP Shares plus incidental selling expenses.

An individual ZDP Shareholder who is resident or ordinarily resident in the UK for taxation purposes will benefit from an annual exemption which, in the tax year 2012/13, exempts the first £10,600 of any gain from the sum charged to capital gains tax. Individuals should note that the annual exemption is an annual exemption available in respect of total chargeable gains for an individual for the relevant tax year. The exemption may not be transferred between spouses.

For such individuals, gains realised on the sale or disposal of their ZDP Shares which exceed their annual capital gains tax exemption will, subject where relevant to the availability of relief for losses, be liable to tax at the rate of 28 per cent. (or at the rate of 18 per cent. where total income and gains of the individual for the relevant tax year do not exceed the income tax basic rate limit (£34,370 for the tax year 2012/13)).

UK individual ZDP Shareholders should note that proceeds (over and above the Issue Price) received on a redemption or repurchase of the ZDP Shares by ZDPCo other than in the course of a winding up of ZDPCo would be treated as a distribution to ZDP Shareholders and so subject to income tax in the UK at the prevailing rate for dividends or distributions received from UK companies. Any amounts taxable as income in the hands of a ZDP Shareholder are excluded from the charge to capital gains tax.

(b) UK Corporate Shareholders

Subject to application of the provisions discussed in the following paragraph, ZDP Shareholders within the charge to UK corporation tax should be subject to UK corporation tax on chargeable gains realised on the sale, redemption or other disposal of their ZDP Shares (the current rate of corporation tax is 24 per cent. and reducing by 1 per cent. each tax year until it reaches 22 per cent. in tax year 2014/15). Any gains realised by ZDP Shareholders within the charge to corporation tax will generally be calculated by reference to the disposal proceeds received less the sum of the base cost of their ZDP Shares plus indexation allowance and incidental selling expenses.

ZDP Shareholders within the charge to UK corporation tax should, however, note the provisions of Chapter 2A (Disguised Interest) and Chapter 6A (Shares Accounted for as Liabilities) of Part 6 to the Corporation Tax Act 2009. Where these provisions apply, sums paid to such ZDP Shareholders on the sale, redemption or other disposal of their ZDP Shares will not be treated as capital receipts but will instead be treated as a return economically equivalent to a return on an investment at interest and will be taxed under the UK loan relationship regime (with any credits or debits to be brought into account for tax purposes by such a holder of ZDP Shares determined according to the relevant accounting treatment). Shareholders who may be affected by these provisions should consult their own professional tax advisers.

(c) Non-UK Shareholders

ZDP Shareholders who are neither resident nor ordinarily resident (nor temporarily non-resident) in the UK and do not carry on a trade, profession or vocation through a branch, agency or other form or permanent establishment in the UK with which the ZDP Shares are connected will not normally be liable to UK taxation on capital gains arising on the sale, redemption or other disposal of their ZDP Shares. However, non-UK ZDP Shareholders will need to take appropriate professional tax advice about their individual tax positions.

Individuals who were previously resident or ordinarily resident in the UK and who subsequently dispose of their ZDP Shares during a period of non residence, may suffer a capital gains tax charge if they do not remain non-UK resident for at least five complete tax years. If they do not do so, the gain will crystallise in the tax year of their return. Gains arising to individuals in the year they leave the UK or return to the country may also be taxed.

15.4 UK Inheritance Tax (IHT)

UK domiciled individuals are chargeable to IHT in respect of property situated anywhere in the world. Non-UK domiciled individuals are chargeable only to IHT in respect of property situated in the UK.

Registered shares are generally situated where they are registered unless they are transferrable to more than one jurisdiction (and in such cases they are situated in the country in which they are likely to be dealt with in the normal course of affairs). Where property is regarded as situated in the UK for IHT purposes, a gift of such property by, or on the death of an individual holder of such property may (subject to certain exemptions and reliefs) give rise to a liability to IHT. This is regardless of whether or not the individual holder is domiciled or deemed to be domiciled in the UK and whether or not the holder is resident and/or ordinarily resident in the UK for tax purposes. For IHT purposes, a transfer of assets at less than full market value will be treated as a gift and particular rules apply where the donor reserves or retains some interest or benefit in the property being transferred. A gift of an asset is potentially exempt from IHT and falls outside the individual's estate provided the donor lives for seven years.

15.5 UK stamp duty and stamp duty reserve tax

No stamp duty or stamp duty reserve tax will generally arise on the issue of the ZDP Shares. Subject to the following, any transfer of ZDP Shares will be liable to ad valorem stamp duty (currently at 0.5 per cent., with a rounding up to a multiple of £5). If an agreement to transfer such shares is not completed before the seventh day of the calendar month following the month in which the agreement becomes unconditional, there is a liability to stamp duty reserve tax (currently at the rate of 0.5 per cent.) on the actual consideration paid, though this charge does not apply if a corresponding stock transfer form is subsequently stamped within 6 years.

Under the CREST system for paperless transfers, no stamp duty or stamp duty reserve tax will arise on the transfer of shares into the paperless system unless such transfer is made for a consideration in money or money's worth, in which case a liability to stamp duty reserve tax (usually at a rate of 0.5 per cent.) will arise. Paperless transfers within CREST are liable to stamp duty reserve tax (usually at

a rate of 0.5 per cent. of the actual consideration paid) rather than stamp duty. The liability to pay any stamp duty reserve tax is that of the purchaser or transferee and in practice stamp duty is usually paid by the transferee. Stamp duty reserve tax on relevant transactions settled within the CREST system, or reported to it for regulatory purposes, is collected by CREST.

16. Working Capital

Inland is of the opinion that, taking into account the bank facilities available, the Inland Group has sufficient working capital for its present requirements, that is, for at least 12 months from the date of this document.

ZDPCo is of the opinion that it has sufficient working capital for its present requirements, that is, for at least 12 months from the date of this document.

17. Significant Change

The following significant changes in the financial or trading position of the Group between 30 June 2012 and the Latest Practicable Date have occurred:

- (i) the sale of a total of 213 plots and completed homes for total consideration of £13.35 million;
- (ii) the repayment of over £4.8 million of loans and payment of £1.5 million in deferred consideration;
- (iii) the receipt of £3.5 million of new loans;
- (iv) the grant of an improved planning consent at Queensgate Farnborough was received for 276 residential units. The revised consent included a reduction of affordable units from 35 per cent. to 20 per cent. and no changes to the S106 contributions;
- (v) the receipt of detailed planning permission for 127 residential plots (including 14 affordable units) for the northern part of St John's Hospital, Chelmsford;
- (vi) an agreement with The Defence Infrastructure Organisation, which forms part of the Ministry of Defence, South Bucks District Council (SBDC) and Buckinghamshire County Council to formulate a detailed Development Brief for the future of the Defence School of Languages site at Wilton Park, Beaconsfield, Buckinghamshire; and
- (vii) a conditional development agreement for the Ashford Hospital site, Middlesex with a national housebuilder in November 2012. Under the development agreement, Inland is providing the consented land into the venture whilst the housebuilder will fund and carry out the construction and manage the sales of the completed units; and
- (viii) On 6 December 2012, Inland obtained a resolution to grant planning consent for 268 residential homes and 108,000 sq. ft. of commercial space at its site at Poole.

Save for the foregoing there has been no significant change in the financial or trading position of the Group since 30 June 2012, being the date to which the latest audited financial information was published. There has been no significant change in the financial or trading position of ZDPCo since 22 November 2012, the date of its incorporation.

18. Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Inland or ZDPCo is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past significant effects on Inland or the Inland Group's financial position or profitability. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which ZDPCo is aware), since the date of its incorporation which may have, or have had in the recent past significant effects on ZDPCo's financial position or profitability.

19. Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been (or, immediately following Admission, will be) entered into by a member of the Group within the two years immediately preceding the date of this document and are, or may be, material or have been entered into at any time by any member of the Group and contain provisions under which any member of the Group has an obligation or entitlement which is, or may be, material to the Group as at the date of this document:

19.1 *Loan Note*

On Admission, an interest-free secured loan note will be issued by Inland to ZDPCo in an aggregate principal amount equal to the gross proceeds of the ZDP Shares. The Loan Note will be repayable at par on 10 April 2019 unless an event of default requires it to be repaid earlier. Pursuant to the Loan Note, Inland will undertake to ZDPCo that for so long as the Loan Note remains outstanding it shall:

- (a) for so long as it is the holder of all the issued ordinary share capital of ZDPCo, not vote to pass a resolution at any general meeting of ZDPCo relating to any matters which would require the previous sanction of a special resolution passed at a separate general meeting of the holders of the ZDP Shares in accordance with the Articles unless such previous sanction has first been obtained from ZDP Shareholders;
- (b) not (and shall, so far as it is able, procure that none of its subsidiary undertakings (excluding ZDPCo) shall) enter into any transaction which, if it were entered into by ZDPCo, would require the previous sanction of a special resolution passed at a separate general meeting of the holders of ZDP Shares under the Articles or otherwise as required by law, without such previous sanction having first been obtained;
- (c) not, except with the previous sanction of a special resolution passed at a separate general meeting of the holders of ZDP Shares or as required by law:
 - (i) pass, and shall procure that no other member of the Group shall pass, any resolution which authorises the directors of the relevant company to pay a dividend or other distribution or make a capital distribution or otherwise make a payment in cash or kind to the shareholders of the relevant company;
 - (ii) pass, and shall procure that no other member of the Group shall pass, a resolution to reduce the capital of Inland or any member of the Group in any manner, including any resolution authorising the directors of the relevant company to purchase shares in such company;
 - (iii) issue, and shall procure that no other member of the Group shall issue (other than to ZDPCo or to any directly or indirectly wholly owned subsidiary thereof) further shares or securities, or rights to subscribe for or to convert or exchange any securities into shares or securities ranking *pari passu* with or in priority to the ZDP Shares

((c)(i) to (iii), each, an “**Action**”)

save that the previous sanction of the holders of the ZDP Shares will not be required in the event that the Cover Test as summarised in paragraph 4 of Part 2 of this document (as defined in the Articles) will be satisfied immediately following such Action provided that in the case of the payment of any dividend or other distribution or the making of any capital distribution or otherwise the making of a payment in cash or kind by a member of the Group to shareholders who are also members of the Group, this provision shall not be breached if the Cover immediately prior to the making of the payment or distribution is not reduced as a result of the making of it;

- (d) not, except with the previous sanction of a special resolution passed at a separate general meeting of the holders of the ZDP Shares or as required by law:
 - (i) make any variation of the terms of the Loan Note or the Contribution Agreement which, at the time of being made, could reasonably be considered to be materially prejudicial to the interests of the holders of the ZDP Shares; or
 - (ii) for so long as it is the holder of all of the issued ordinary shares of ZDPCo pass a resolution amending article 49 of the Articles or releasing the board of directors of ZDPCo from its obligation to convene a general meeting on 10 April 2019 (or earlier in order to enable ZDPCo to make the payment of the Final Capital Entitlement on the ZDP Final Payment Date) at which a resolution will be proposed requiring ZDPCo to be wound up voluntarily; or
 - (iii) pass a resolution the effect of which is to make a fundamental change to the business model of Inland which would, in any event, amount to a fundamental change for the purposes of the AIM Rules for Companies published by the London Stock Exchange;
- (e) except with the previous sanction of a special resolution passed at a separate general meeting of the holders of the ZDP Shares or as required by law or the UK Listing Authority, ensure that at least two individuals from the Board of Directors of Inland sit on the Board of Directors of ZDPCo as constituted from time to time;
- (f) except with the previous sanction of a special resolution passed at a separate general meeting of the holders of the ZDP Shares or as required by law (i), restrict the borrowings of Inland and shall exercise all voting and other rights or powers of control exercisable by Inland in relation to its subsidiaries so as to procure (as regards the subsidiaries, to such extent possible) that the aggregate principal amount from time to time outstanding in respect of all monies borrowed by Inland and its subsidiaries does not exceed the limit (if any) specified in the articles of association of Inland; (ii) procure that if Inland's Gearing Ratio amounts to 40 per cent. or more at any time or would do so by virtue of borrowing or incurring indebtedness for the purposes which are restricted below, it will not and no member of its Group shall incur any further borrowings or indebtedness of any kind for the purposes of acquiring any new assets (including, without limit, property or sites for development) provided that the restriction contained herein shall not apply to borrowings or indebtedness incurred for developing existing sites, for general working capital purposes or for the purposes of paying off amounts owed under the Loan Note and/or Contribution Agreement or other pre-existing financial liabilities of the Group and financial liabilities as it may be necessary or desirable to complete development and other work before marketing assets for sale to reduce borrowings; and (iii) procure that whenever a Group Company (here a Relevant Company) pays money to a vendor of some real estate (held directly or indirectly) where such real estate has been acquired on terms permitting the Relevant Company to pay by way of deferred consideration and the vendor has security in respect of that real estate pending payment in full or otherwise of the deferred consideration in circumstances where the vendor has no recourse to any other assets of a Group/Relevant Company in respect of that real estate, as and when the security of any part of that real estate becomes free of such security (each such part being Free Real Estate) the Relevant Company shall charge within 10 Business Days of the release of the relevant security the Free Real Estate as first ranking security in favour of the Company or ZDPCo; the security so created shall be in respect of the loans to and other obligations incurred by the Relevant Company from the Company or ZDPCo for the purposes of acquiring and making all payments in respect of the real estate referred to above.
- (g) have due regard to the interests of the holders of ZDP Shares as described in this document;
- (h) meet the running costs and other expenses of ZDPCo on demand and/or in accordance with the Contribution Agreement; and

- (i) not transfer any of the ordinary shares in the capital of ZDPCo which it owns from time to time.

ZDPCo shall be entitled to call for immediate repayment of the Loan Note if an event of default occurs and is not remedied. Events of default include where an order is made or an effective resolution is passed for the winding-up of Inland or the winding-up of ZDPCo or if there is a material breach of the covenants in the Loan Note which is not remedied within ninety days of it occurring. In addition an event of default would occur if the value of the Pledged Assets falls below 120 per cent. of the balance due to ZDP Shareholders net of Pledged Cash and Inland is unable to demonstrate to the satisfaction of ZDPCo within three months of a Covenant Testing Date either that (i) it or another member of its Group has transferred cash to the designated bank account charged to ZDPCo or provided first ranking security over tangible assets to ZDPCo so that 120 per cent. of the balance due to ZDP Shareholders continues to be supported by first charged assets; or (ii) such security shortfall no longer exists; provided that the provision of this paragraph shall not apply after 1 January 2019 and if the ZDPCo Directors are not satisfied in their absolute discretion that ZDPCo has sufficient cash in its own bank account to fund the Final Capital Entitlement as at the ZDP Final Payment Date.

19.2 *Contribution Agreement*

On Admission, ZDPCo and Inland will enter into an agreement pursuant to which Inland will undertake to contribute (by way of gift, capital contribution or otherwise) such funds on the earlier to occur of the repayment date (being 10 April 2019), any winding up of ZDPCo or Inland or the repayment of the Loan Note such amount (the “**Specified Amount**”) as when taken together with any other amount payable by Inland to ZDPCo, shall result in ZDPCo having sufficient assets to satisfy the then current, or as the case may be, final capital entitlement of all of the holders of the ZDP Shares. In the event that following payment of the Specified Amount ZDPCo still has ZDP Shares in issue whose capital entitlement will continue to increase, it will also contribute, on demand by ZDPCo on any one or more occasions (each a “**Further Contribution Date**”) (by way of gift, capital contribution or otherwise) such amount (the “**Further Specified Amount**”) as when taken together with any other amount payable by Inland to ZDPCo, shall result in ZDPCo having sufficient cash funds to satisfy the then current, or as the case may be, final capital entitlement of all of the holders of the ZDP Shares. Inland will also fund all ongoing operational expenses of ZDPCo on demand including without limit management (and, specifically, all and any expenses which may become payable to the directors of ZDPCo), accounting, printing, audit and legal fees.

19.3 *Master Security Agreement*

On or shortly after Admission, ZDPCo and Inland will enter into an agreement governing the basis upon which the Pledged Cash and Pledged Assets will be secured in favour of ZDPCo (through a combination of fixed and floating charges and security assignments) and the enforcement of that security (the “**Master Security Agreement**”). Provision will be made for other companies within the Inland Group to accede to these arrangements and to enter into a supplemental security deed as and when one or more of their assets are to be provided as Pledged Assets. Inland and other Group companies providing security will be entitled to substitute assets into and out of the security arrangements subject to maintaining the required level of security cover described above. Upon the occurrence of certain default events ZDPCo will be entitled to restrict dealings in the assets which are subject to the security and to exercise normal rights of security enforcement, including disposal, in order to realise the value of the assets.

19.4 *The Placing Agreement*

Pursuant to the Placing Agreement, Libertas and its Registered Representatives have agreed to use their reasonable endeavours to procure subscribers for ZDP Shares at the Issue Price.

Libertas and its Registered Representatives will be entitled to receive a corporate finance fee of in aggregate £70,000 (£46,000 of which is payable conditional on Admission) and a commission (which is payable conditional on Admission) of 2 per cent. of the aggregate value of the ZDP Shares issued pursuant to the Placing as well as all reasonable and properly incurred costs, charges and expenses of or incidental to the Placing, Admission and the arrangements referred to in, or contemplated by, the Placing Agreement (together with any VAT chargeable on them which is payable to Libertas or its Registered Representatives).

The Placing Agreement is conditional, *inter alia*, on:

- (a) this document being approved by the FSA and the publication and filing of this document in accordance with the Prospectus Rules; and
- (b) Admission occurring on or before 8.00 a.m. London time on 20 December 2012 (or such later time or date as Libertas, Inland and ZDPCo may agree being no later than 11 January 2013).

The Placing Agreement confers on Libertas the right to terminate its obligations prior to Admission if, *inter alia*:

- (a) any of the warranties given under the Placing Agreement ceases to be true or accurate in any material respect or becomes misleading in any material respect;
- (b) ZDPCo fails to comply in a material respect with any of its obligations under the Placing Agreement;
- (c) there is an outbreak or escalation of hostilities or any attack on or act of terrorism which, in the opinion of Libertas (acting reasonably and in good faith), makes it impractical or inadvisable to proceed with the Placing;
- (d) there is any calamity, crisis or material adverse change in the financial, political, economic or stock market conditions or any other economic, financial or political crisis of international or national effect which, in the opinion of Libertas (acting reasonably and in good faith), makes it impractical or inadvisable to proceed with the Placing.

The Placing Agreement also contains:

- (a) certain customary warranties given on a joint and several basis by Inland and ZDPCo; and
- (b) customary indemnities given on a joint and several basis by Inland and ZDPCo in favour of Libertas.

The Placing Agreement is governed by English law.

20. Conflicts of Interest

Certain Inland Directors are also ZDPCo Directors. In the event that Inland fails to comply with its obligations under the Loan Note and/or the Contribution Agreement, the individuals that are directors of both Inland and ZDPCo will have a conflict of interest in considering the enforcement of security benefiting ZDPCo.

21. Related party transactions

There have been and are currently no agreements or other arrangements between members of the Group and individuals or entities, that may be deemed to be related parties, for the period from 1 July 2009 until the date of this document save as disclosed in the financial statements (see note 28 to the financial statements of the Inland Group for the year ended 30 June 2010, note 29 to the financial statements of the Inland Group for the year ended 30 June 2011 and note 29 to the financial statements of the Inland Group for the year ended 30 June 2012), all of which are reproduced in Part 5 of this document.

22. Consents

Libertas has given and has not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear.

23. General

- 23.1 Save for the audited financial statements reproduced in Part 5 of this document, the financial information concerning the Group contained in this document does not constitute statutory accounts within the meaning of section 434(3) of the Companies Act 2006. Full individual accounts of Inland and each of its subsidiary undertakings for each financial year to which the financial information relates and on which the auditors gave unqualified reports are reproduced in Part 5 and have been delivered to the Registrar of Companies. The consolidated financial statements of Inland in respect of the three years ended 30 June 2012 were reported on by Grant Thornton LLP, a member of the Institute of Chartered Accountants for England and Wales, the auditors of Inland within the meaning of section 495 of the Companies Act 2006.
- 23.2 The Issue Price which is to be paid in cash represents a premium of 90 pence over the nominal value of 10 pence per ZDP Share.
- 23.3 On the assumption that the Placing is fully subscribed, the Initial Gross Proceeds of the Placing will be £8.5 million, the expenses payable by Inland pursuant to the Placing will be approximately £0.42 million and the net proceeds of the Placing will be £8.08 million.
- 23.4 Inland has a lease over offices at 2 Anglo Office Park, 67 White Lion Road, Amersham, Buckinghamshire HP7 9FB, pursuant to which it pays annual rent of £71,687. The lease expires, unless renewed or extended, on 29 April 2019, with a break option on 29 April 2014. There are no environmental issues relating to the lease.
- 23.5 Libertas, which is authorised and regulated by the Financial Services Authority and is a member of the London Stock Exchange, and its Registered Representatives are acting exclusively for ZDPCo and Inland and no-one else in connection with the Placing and the proposed Admission. Libertas and its Registered Representatives will not regard any other person as their customer or be responsible to any other person for providing the protections afforded to customers of Libertas and its Registered Representatives nor for providing advice in relation to the transactions or arrangements detailed in this document. Libertas and its Registered Representatives are not making any representation or warranty, express or implied, as to the contents of this document and accordingly without limiting the statutory rights of any recipient of this document, no liability is accepted by Libertas or its Registered Representatives for the accuracy of any information or opinions contained in this document or for any omission of any material information for which it is not responsible.
- 23.6 David Floyd, a Registered Representative of Libertas, has a beneficial interest in 115,000 Inland Ordinary Shares held in a personal pension scheme. In addition, his personal pension scheme has applied for 20,000 ZDP Shares in the Placing.
- 23.7 Certain market statistics in Part 1 have been extracted from published third party sources, whose names appear in or at the end of the relevant paragraphs. The information in this document which has been extracted from published third party sources has been accurately reproduced and that as far as Inland and ZDPCo are aware and are able to ascertain from information published by those third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

24. Documents for Inspection

24.1 Copies of the following documents will be available for inspection on the website of Inland at http://www.inlandplc.com/investor_relations/index/ and during normal business hours on any weekday (Saturday, Sundays and public holidays excepted) at the registered office of Inland and ZDPCo, at 2 Anglo Office Park, 67 White Lion Road, Amersham, Buckinghamshire HP7 9FB and at the offices of Libertas Capital Corporate Finance Limited, 17c Curzon Street, London W1J 5HU, up to and including the date of Admission:

24.1.1 the Memorandum and Articles of Association of ZDPCo and Inland;

24.1.2 the audited consolidated accounts of the Inland Group for the three financial years ended 30 June 2012;

24.1.4 the material contracts summarised in paragraphs 19.1 to 19.3 above; and

24.1.5 this document.

Dated: 14 December 2012

PART 8

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

“Act”	the Companies Act 2006
“Admission to Listing”	the admission to listing on the Official List (by way of a standard listing under Chapter 14 of the Listing Rules) of the ZDP Shares
“Admission to Trading”	the admission to trading on the London Stock Exchange’s market for listed securities of the ZDP Shares
“Admission”	Admission to Listing and Admission to Trading and a reference to Admission becoming “effective” is to be construed in accordance with the Listing Rules or the Standards (as applicable)
“AIM”	a market of that name operated by London Stock Exchange
“Articles of Association” or “Articles”	the articles of association of ZDPCo as adopted by special resolution on 14 December 2012 conditional on Admission
“Assets”	in the context of the Gearing Ratio and the Cover Ratio, Assets means the net sum of (i) consolidated gross assets of the Inland Group; (ii) less intangible assets; (iii) less cash; (iv) less trade creditors payable before six months following the ZDP Final Payment Date; and (v) less deferred consideration payable for sites purchased by Inland Group companies other than (a) any Excess Deferred Consideration and (b) any deferred consideration payable after six months following the ZDP Final Payment Date
“Assumptions”	the assumptions set out in Part 6 of this document
“Capital Entitlement”	the amount accrued to each ZDP Share to the date of receipt of cash on the winding up of ZDPCo
“Contribution Agreement “	the contribution agreement to be entered into between Inland and ZDPCo on the day of Admission described in paragraph 19.2 of Part 7
“C&M”	Country & Metropolitan PLC
“Covenant Testing Date”	31 March, 30 June, 30 September and 31 December in each year while any ZDP Shares remain in issue
“Cover Ratio” or “Cover”	the ratio of (i) Assets to (ii) the sum of the Financial Indebtedness and the ZDP Liability as at the ZDP Final Payment Date
“CREST”	the system for paperless settlement of trades in listed securities, of which Euroclear UK & Ireland Limited is the operator
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended)
“Disclosure and Transparency Rules”	the disclosure and transparency rules made under Part VI of FSMA (as set out in the FSA Handbook) (as amended)
“Excess Deferred Consideration”	deferred consideration due to a vendor by the Inland Group in respect of any site which represents more than 60 per cent. of the initial purchase price of such site excluding amounts payable after six months following the ZDP Final Payment Date and excluding amounts in respect of which the vendor has no recourse to the assets of the Inland Group other than the asset sold by such vendor

“Excluded Territories” and each an “Excluded Territory”	the United States of America, Canada, Australia, Japan and the Republic of South Africa and any other jurisdiction where the extension or availability of the Placing would breach any applicable law
“Final Capital Entitlement”	155.9 pence per ZDP Share
“Financial Indebtedness”	the net sum of (i) bank and other borrowings less any cash of the Inland Group and (ii) Excess Deferred Consideration; other than any such indebtedness which is repayable after six months following the ZDP Final Payment Date
“FSA”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part IV of FSMA
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“Gearing Ratio”	the gearing ratio of (i) the sum of the Financial Indebtedness and the ZDP Liability to (ii) Assets
“Group” or “Inland Group”	Inland and its subsidiaries and subsidiary undertakings, from time to time (including, for the avoidance of doubt, ZDPCo)
“Howarth” or “Howarth Homes”	Howarth Homes PLC
“Hurdle Rate”	the minimum rate of return per annum on Assets at which the Final Capital Entitlement is paid in full or, where it is expressed in relation to the Issue Price, the minimum rate of return per annum on Assets at which the Issue Price is returned on the ZDP Final Payment Date
“IAS”	International Accounting Standards
“IFRS”	International Financial Reporting Standards
“Initial Cover”	the Cover Ratio as at 30 June 2012 on the basis that the Placing was effected and the net proceeds invested in inventories on that date
“Initial Gross Proceeds”	the aggregate value of the ZDP Shares to be issued or sold pursuant to the Placing taken at their Issue Price
“Inland” or “Parent”	Inland Homes PLC
“Inland Ordinary Shares” or “Ordinary Shares”	ordinary shares of 10 p each in the capital of Inland
“Inland Directors” or “Inland Board” or “Directors”	the directors of Inland whose names are set out in paragraph 1.2 of Part 4
“ISIN”	international securities identification number
“Issue Price”	the price of 100 pence per ZDP Share at which ZDP Shares are to be issued or sold under the Placing
“Latest Practicable Date”	12 December 2012, being the latest practicable date prior to the publication of this prospectus
“Libertas”	Libertas Capital Corporate Finance Limited
“Liquid Resources”	comprises cash at bank, short term deposits with a maturity of less than three months, money market funds and floating rate notes
“Listing Rules”	the rules and regulations made by the FSA under Part VI of FSMA
“Loan”	the outstanding nominal value from time to time represented by the Loan Note

“Loan Facilities”	the loan facilities of the Group from financial lending institutions from time to time
“Loan Note”	the secured loan note in a nominal amount of £8.5 million to be issued by Inland to ZDPCo on Admission
“London Stock Exchange”	London Stock Exchange plc
“Master Security Agreement”	the security agreement to be entered into between Inland and ZDPCo on or shortly after Admission
“NAV”	net asset value
“Net Liquid Resources”	Liquid Resources less bank borrowings
“Official List”	the Official List of the FSA
“Placees”	the persons with whom the ZDP Shares are placed pursuant to the Placing
“Placing”	the placing of up to 8,500,000 ZDP Shares with the Placees
“Placing Agreement”	the conditional placing agreement entered into between Libertas, Inland and ZDPCo in relation to the Placing dated 14 December 2012
“Placing Letter”	the placing letter entered into between Libertas and each Placee pursuant to the Placing
“Pledged Assets”	all interests in assets of the Inland Group which are the subject to first charges in favour of ZDPCo, save for the Pledged Cash
“Pledged Cash”	cash held by Inland in the Secured Account subject to a charge in favour of ZDPCo
“Poole”	Poole Investments PLC
“Prospectus Rules”	rules published by the FSA under section 73A FSMA
“Redemption Yield”	in respect of a ZDP Share, the annually compounded rate of return at which the discounted value of the Final Capital Entitlement equates to its actual or assumed value at the date of calculation
“Registrar” or “Receiving Agent”	Neville Registrars
“Registered Representatives”	DHC Floyd and PB Glover, being registered with FSA as representatives of Libertas
“Responsible Persons”	ZDPCo, Inland, the ZDPCo Directors and the Inland Directors
“SDRT”	stamp duty reserve tax
“Securities Act”	the United States Securities Act of 1933 (as amended)
“Secured Account”	a bank account to be opened by Inland to hold cash which is subject to a first legal charge in favour of ZDPCo
“SEDOL Code”	Stock Exchange Daily Official List Code
“Shares”	the ordinary shares of £1 each issued by ZDPCo and the ZDP Shares
“Standards”	the “Admission and Disclosure Standards” of the London Stock Exchange
“UK or United Kingdom”	the United Kingdom of Great Britain and Northern Ireland the UK
“Governance Code” or	Corporate Governance Code as published by the UK Financial
“UK Corporate Governance Code”	Reporting Council
“US” or “United States”	United States of America, its territories and possessions, any state of the United States and the District of Columbia

“US Person”	has the meaning given to it in Regulation S
“Wipe-out Hurdle”	the annual rate of decrease in net assets resulting in no Final Capital Entitlement being paid on the ZDP Final Payment Date
“ZDPCo”	Inland ZDP PLC, a wholly-owned subsidiary of Inland
“ZDPCo Board” or “ZDPCo Directors”	the directors of ZDPCo whose names are set out on page 25
“ZDP Liability”	for the purposes of the Cover Ratio means the total amount due to ZDP Shareholders on the ZDP Final Payment Date and for the purposes of the Gearing Ratio means the total accrued capital value of the ZDP Shares as at the calculation date of the Gearing Ratio
“ZDP Final Payment Date”	10 April 2019
“ZDP Shareholders”	holders of ZDP Shares
“ZDP Share(s)”	zero dividend preference shares of 10 pence each

In this document words denoting any gender include both genders (unless the context otherwise requires).