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Inland plc (the “Company”), whose registered office appears on page 4 and the Directors, whose names also appear on page 4, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the 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 makes no omission likely to affect the import of such information.

Application has been made for all of the Ordinary Shares issued and to be issued pursuant to the Placing to be admitted to trading on AIM, a market operated by London Stock Exchange plc (“AIM”) and admitted to trading on PLUS. It is expected that dealings in the Ordinary Shares will commence on AIM on 3 April 2007.

This document is an AIM admission document and has been drawn up in accordance with the AIM Rules. This document does not constitute a prospectus within the meaning of section 85 of FSMA, has not been drawn up in accordance with the Prospectus Rules made under Part VI of FSMA and has not been approved by or filed with the Financial Services Authority. This document does not constitute an offer of transferable securities to the public within the meaning of FSMA, the Act or otherwise.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

Prospective investors should read the whole text and contents of this document and should assume that an investment in the Company is speculative and involves a degree of risk. In particular prospective investors should carefully consider the section entitled “Risk Factors” in Part II of this document before taking any action.

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# Inland plc

*(Incorporated and registered in England and Wales, No. 5482990)*

## Placing of 100,000,000 new Ordinary Shares at 50 pence per share and Admission to trading on AIM

*Nominated adviser*

**Dawnay, Day Corporate Finance Limited**

*Broker and underwriter*

**KBC Peel Hunt Ltd**

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### ORDINARY SHARE CAPITAL IMMEDIATELY FOLLOWING THE PLACING AND ADMISSION

<i>Authorised</i>		<i>Issued</i>	
<i>Amount</i>	<i>Number</i>	<i>Amount</i>	<i>Number</i>
£23,999,000	239,990,000	£16,215,006	162,150,059

*In addition to the authorised and issued ordinary share capital, there are 1,000 Incentive Shares of £1 each authorised and issued.*

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The Placing Shares will, on Admission, rank *pari passu* in all respects with the existing Ordinary Shares including the right to receive all dividends or other distributions declared, paid or made after Admission.

This document does not constitute an offer to buy or to subscribe for, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, the Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “Securities Act”) or qualified for sale under the laws of any state of the United States or under the applicable laws of any of Canada, Australia 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 or Japan. Neither this document nor any copy of it may be sent to or taken into the United States, Canada, Australia or Japan, nor may it be distributed directly or indirectly to any US person (within the meaning of Regulation S under the Securities Act) or to any person with an address in Canada, Australia or Japan, or to any corporation, partnership or other entity created or organised under the laws thereof, or in any country outside England and Wales where such distribution may lead to a breach of any legal or regulatory requirement.

Copies of this document will be available to the public during normal business hours on any day (except Saturdays, Sundays and public holidays) free of charge at the offices of Dawnay, Day Corporate Finance Limited, 17 Grosvenor Gardens, London SW1W 0BD for a period of one month following Admission.

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## PLACING STATISTICS

Placing Price	50 pence
Number of Placing Shares	100,000,000
Number of Ordinary Shares in issue following the Placing	162,150,059
Capitalisation at the Placing Price	£81.08 million
Gross proceeds of the Placing	£50 million
Estimated net proceeds of the Placing	£47.5 million
Placing Shares as a percentage of the Enlarged Share Capital	62%

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	29 March 2007
Expected date for commencement of dealings	3 April 2007
Expected date for CREST accounts to be credited with uncertificated Placing Shares (where applicable)	3 April 2007
Despatch of definitive share certificates in respect of Placing Shares (where applicable)	13 April 2007

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	<b>Terry René Roydon</b> <i>Non executive Chairman</i> <b>Stephen Desmond Wicks</b> <i>Chief Executive</i> <b>Nishith Malde</b> <i>FCA Finance Director</i> <b>Simon Bennett</b> <i>Non executive Director</i>  all of the registered office
<b>Company Secretary</b>	<b>Nishith Malde</b> <i>FCA</i>
<b>Registered office and Website</b>	Trinity Court Batchworth Island Church Street Rickmansworth Hertfordshire WD3 1RT Tel: +44 (0) 1923 713 600 www.inlandplc.com
<b>Nominated adviser</b>	<b>Dawnay, Day Corporate Finance Limited</b> 17 Grosvenor Gardens London SW1W 0BD
<b>Broker and underwriter</b>	<b>KBC Peel Hunt Ltd</b> 111 Old Broad Street London EC2N 1PH
<b>Solicitors to Inland</b>	<b>Dorsey &amp; Whitney LLP</b> 21 Wilson Street London EC2M 2TD
<b>Solicitors to the Placing</b>	<b>Lawrence Graham LLP</b> 190 Strand London WC2R 1JN
<b>Auditors to Inland and Reporting Accountants</b>	<b>Grant Thornton UK LLP</b> Churchill House Chalvey Road East Slough SL1 2LS
<b>Financial PR advisers</b>	<b>Buchanan Communications</b> 45 Moorfields London EC2Y 9AE
<b>Bankers</b>	<b>Royal Bank of Scotland</b> St Albans office 3rd Floor, Building 1 Centrium Griffiths Way St Albans Herts AL1 2RD
<b>Registrars</b>	<b>Capita Registrars</b> The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

## PART I

### Summary

*The following information is extracted from and should be read in conjunction with the full text of this document. Any decision to acquire new Ordinary Shares should be based on consideration of the whole of this document, including the risk factors set out in Part II.*

#### Business

The Inland Group specialises in buying ‘brown field’ sites, enhancing their value through obtaining planning permissions for residential or mixed-use development and selling the consented land on to developers.

To date, Inland Homes has acquired, obtained planning permission for, and sold, 25 building plots on two sites, producing an average annual return on its equity investment of 122 per cent. and an average annual return on capital employed of 96 per cent.

The Group has a secured portfolio of fourteen development sites, representing approximately 700 potential building plots. Further projects are in the pipeline.

#### Growth Strategy

The Group’s principal strategic objective is to build up a land bank which would be attractive to a major trade buyer. This will take a few years, during which time it will continue to sell certain sites where it can obtain favourable offers.

The Group will continue to invest in sites with purchase prices of up to £25 million, concentrating its activities on areas of high demand (for example, where there are good transport links or attractive residential environments) and seeking planning consents that are appropriate for the location and desirable to house builders.

The objective is to resolve all planning and technical issues so that sites may be sold on to builders on a ‘ready to build’ basis.

The Group intends to make purchases of strategic land (that is land which may in future be suitable for development) when appropriate opportunities arise.

The Group will also continue its strategy of investing in quoted and unquoted companies, particularly those where the share price does not reflect the value of the underlying property assets or their development potential. It also invests in companies where the Directors believe they can add value or benefit from a strategic relationship. The Company currently has an interest in listed securities and a house building company, Howarth Homes.

#### Management

Inland is managed by Stephen Wicks (chief executive) and Nishith Malde (finance director), who have a successful track record working together in the property sector, having fulfilled the same roles at Country & Metropolitan plc (“C&M”), a residential and commercial property developer specialising in brown field sites. C&M was founded by Stephen Wicks in 1990. It was listed in December 1999 with a market capitalisation of £6.9 million (68 pence per share) and was subsequently acquired by Gladedale Holdings PLC for approximately £72 million in May 2005 (300 pence per share). Other members of the C&M team who have since joined the Group include Paul Brett and Stephen Trenwith, respectively, land director and development director of Inland Homes, the Group’s principal operating subsidiary.

**Associated company –  
Howarth Homes**

Inland holds a 10 per cent. equity interest and £800,000 of convertible debt in Howarth Homes, a profitable, Middlesex based, house building company. On conversion of the debt, Inland's shareholding in Howarth may be increased to up to 30 per cent. In addition, Inland has provided a £2 million loan facility to Howarth.

By selling consented land on arm's length terms to Howarth Homes, Inland is able to realise its own planning gains and participate in the associated house building profits. This can represent a significant value added opportunity for the Company. Howarth currently has approximately 200 units under construction around North West London and the Home Counties.

Stephen Wicks and Nishith Malde are non executive directors of Howarth Homes and Inland charges a fee, currently £56,400 plus VAT per annum, for providing their services to that company.

**Market and Prospects**

The Directors believe that demand for residential development sites remains strong, with the number of households in England projected to increase from 20.9 million in 2003 to 25.7 million in 2026 and an estimated current annual shortfall in new homes required of 48,766 (source: Communities and Local Government Agency).

About 60 per cent. of the projected household growth is in London, South-West, East and South-East England, which are the Group's target areas.

The Directors believe that the inherent delays and restrictions associated with the planning process limits the supply of land with consent.

This, combined with the pressure on house-builders to achieve increased turnover as margins reduce, has produced a strong demand for consented land from the major house builders, many of whom appear to be significantly expanding their land banks, as evidenced by the current wave of takeover activity in the sector.

The Directors believe that current market conditions are likely to continue in the medium to long term, and that these market conditions give rise to favourable prospects for the Group.

**The Placing and  
Admission**

The Placing, which has been fully underwritten by KBC Peel Hunt, comprises 100,000,000 Placing Shares at the Placing Price of 50 pence. The Placing Shares will represent approximately 62 per cent. of the Enlarged Share Capital following the Placing. The Placing is conditional, *inter alia*, upon Admission and the Placing Agreement becoming unconditional in all respects. Further details of the Placing Agreement are set out in section 12.2 of Part VI of this Document.

The gross proceeds of the Placing are expected to amount to £50,000,000.

Application has been made to the London Stock Exchange for the whole of the ordinary share capital of the Company (issued and to be issued pursuant to the Placing) to be admitted to trading on AIM. It is expected that Admission will take place and dealings in the Ordinary Shares will commence on 3 April 2007.

**Reasons for the Placing  
and use of proceeds**

The Board believes that admission to AIM will raise the profile of the Company and give it credibility in the marketplace, particularly with land vendors and their agents, as well as giving it access to new sources of funds and providing liquidity for its Ordinary Shares. Additionally, the ability to offer quoted securities pursuant to the Share Option Scheme should help the Group attract and retain experienced staff.

The estimated net proceeds of the Placing, after expenses, are approximately £47.49 million. The Company plans to use the majority of the funds raised from the Placing to fund the acquisition of further brown field and strategic sites, to finance equity investments where appropriate opportunities are identified and as consideration for the exercise of options to purchase additional sites, where the Board so decides.

**Risk factors**

In addition to usual risks associated with investments in quoted securities, whose price can go down as well as up, Inland's business is subject to a range of property and planning risks, changes in government policy, environmental liabilities, dependence on key personnel and actions of competitors.

## PART II

### Risk factors

Investment in the Company may be subject to a number of risks and prospective investors should consider carefully whether the acquisition of Ordinary Shares is suitable for them in the light of their personal circumstances and having regard to all the information contained in this document. In particular, the specific factors listed below should be considered carefully in deciding whether to make an investment in the Company.

If any of these risks were to materialise, the Group's business, financial condition and results of future operations could be materially adversely affected. In such cases, the market price of the Ordinary Shares could fall and an investor may lose part or all of his investment. Prospective investors should note that the matters listed below do not constitute an exhaustive list and additional risks and uncertainties which are not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the Group.

In addition to the usual risks associated with an investment in a business, the Directors consider the following risk factors to be the most significant to potential investors:

#### RISKS ASSOCIATED WITH THE GROUP

##### 1. Summary

The nature of the sector in which Inland operates is such that an investment in the Company is subject to a number of risk factors. Some of these factors apply to the property development market generally, while others are specific to the Company's activities within that market.

- There can be no guarantee that the investment objectives of the Company will be achieved.
- Information for determining the current value of developments may be subjective, for example, due to assessments of the probability of securing planning consents.
- The successful growth of the Company's assets will depend on it being able to acquire appropriate land, pursue the planning process efficiently to obtain development consent and, thereafter, realise maximum value in a timely fashion. This will depend on the state of the property market in the regions in which the Company chooses to operate.
- The ultimate success of an investment in the Company 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 Company will be able to sell or let the development sites in its portfolio.
- The Group's success depends to a significant extent on its management team. No assurance can be given that the loss of any member of the Company's management team would not have a material adverse effect on the business, financial condition or results of operations of the Group.
- Changing local or national trends are likely to occur as a result of competing residential developments or political initiatives. These factors will be considered within the strategy implemented by the Company but may not always be able to be anticipated.
- The Directors expect to use debt to leverage the Group's investments. Debt will be monitored and reviewed by the Company to ensure that terms relating to interest payments, amortisation and lenders' ratios are adhered to. Where revenues and values fall, these and other terms may be breached, giving rise to default provisions requiring remedy by, amongst other possibilities, the investment of further equity. Furthermore, any such decline in revenues and values is likely to result in a decrease in distributed cash dividends and in total equity returns.



## **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 Company is dependent, in particular, on its senior staff. 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. The Company is arranging key man insurance in respect of Stephen Wicks, Nishith Malde and Paul Brett which is expected to provide the Company with £1,000,000, £750,000 and £750,000 respectively if they should die.

## **3. Availability of land for future development**

The execution of the Company's business strategy depends on its ability to identify and execute new development projects. Land for such 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.

## **4. Planning**

There can be no guarantee that any permits, consents or approvals required from third parties in connection with existing or new development projects will be issued or granted to the Group. Failure to obtain such permits, consents or approvals may affect the Group's ability to execute or complete existing and/or new development projects.

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.

## **5. Planning gain supplement**

The government has stated its intention to introduce a new tax on planning gains, currently known as the Planning Gain Supplement ("PGS"). The objective of the PGS is to help finance additional infrastructure whilst preserving incentives to bring forward land for development. The PGS is expected to be implemented in 2009 and the rate is anticipated to be 20 per cent. of the value uplift on property upon the obtaining of full planning permission. PGS is expected to be payable on implementation of a full planning consent. The introduction of PGS may have a detrimental effect on land values and on the Group's profitability and net asset value.

## **6. Environmental liability**

The Company 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 Company will not incur unexpected liabilities such as clean-up costs and fines for environmental pollution in respect of development sites acquired by the Company.

## **7. Exposure to interest rate changes**

The Group expects to finance a significant part of its project development costs by borrowing. Borrowings will expose the Company to movements in interest rates, and the possibility that if the value of the developments fall, the Group's repayment commitments may exceed the capital value of its assets.

## **8. Competition**

The identification and structuring of property related transactions is highly competitive. Competition for appropriate development opportunities may limit significantly the number and types of opportunities available to the Group and adversely affect the terms upon which properties can be purchased.

## **9. Limited operating history**

The Group has only a limited operating history upon which its performance and prospects may be evaluated and it faces risks frequently encountered by developing companies. These risks include the potential inability to retain key personnel, as well as uncertainty as to which areas to target for growth and expansion. In addition, there can be no assurance that the Group's proposed operations will be profitable or produce a reasonable return, if any, on an investment in the Company.

## **10. Additional requirements for cash**

Although the Directors believe that Inland has sufficient working capital for its current requirements, the Group expects to raise further funds by additional equity issues in the future. Such issues may be made on a non pre-emptive basis, resulting in a dilution of the interests of existing Shareholders. Furthermore, there is no assurance that the price of shares issued in the future would be equal to or higher than the Placing Price.

If any further fundraising is not successful, the development and growth of the business of the Company may be constrained.

## **11. Changes in Government regulation**

Inland's business can be affected by changes in legislation, government regulation and guidelines such as those relating to planning, social housing targets and building. Such changes may be accelerated by a change of government.

## **12. Howarth Homes**

The value of the Company's investment in Howarth Homes may be affected by the specific property risk factors referred to above, though it may also be affected by the general economic climate.

## **RISKS ASSOCIATED WITH THE PLACING**

### **1. Investment in AIM traded securities**

Investment in shares traded on AIM is perceived to involve a higher degree of risk and be less liquid than investment in companies whose shares are listed on the Official List. An investment in the Ordinary Shares may be difficult to realise. Prospective investors should be aware that the value of an investment in the Company may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. Investors may therefore realise less than, or lose all of, their investment.

### **2. Share price volatility and liquidity**

The share price of publicly traded companies can be highly volatile. The price at which the Ordinary Shares will be quoted and the price which investors may realise for their shares will be influenced by a large number of factors, which could include the performance of both the Inland Group's and its competitors' businesses, large purchases or sales of Ordinary Shares, legislative changes and general economic, political and regulatory conditions. The volume of shares traded on AIM can be limited and this may restrict the ability of Shareholders to dispose of Ordinary Shares at any particular time.

## **GENERAL RISKS**

### **1. Taxation**

Any change in the Company's tax status or in taxation legislation in the UK could affect the Company's ability to provide returns to Shareholders. Statements in this document concerning the taxation of investors in shares are based on current law and practice, which is subject to change. The taxation of an investment in the Company depends on the individual circumstances of investors.

### **2. General economic climate**

Inflation, currency fluctuation, interest rates, supply and demand of capital and industrial disruption have an impact on business costs and stock market prices. The Company's operations, business and profitability are affected by these factors, which are beyond the control of the Company.

### **Forward looking statements**

This document contains certain statements that are not historical facts and may be forward-looking statements that are subject to a variety of risks and uncertainties and may have been made on assumptions which may prove incorrect. In particular, there are a number of important factors, risks and uncertainties that could cause actual results to differ materially from those projected or suggested in any forward-looking statement made by the Company. Given these risks and uncertainties, potential investors should not place any reliance on forward-looking statements.

These forward-looking statements speak only as at the date of this document. Neither the Directors nor the Company undertake any obligation to update forward-looking statements or risk factors other than as required by the AIM Rules or by applicable law, whether as a result of new information, future events or otherwise.

**As stated above, whilst the Directors consider the above risks and other factors to be most significant for potential investors in the Company, they do not necessarily comprise all risks associated with an investment in the Company and are not set out in any particular order of priority. Investors should therefore consider carefully whether an investment in the Company is suitable for them, in view of the risk factors outlined above and the information contained in this document, their personal circumstances and the financial resources available to them.**

## PART III

### The Inland Group

#### 1. Introduction

The Company is the holding company of Inland Homes, a residential and mixed-use property development company which specialises in buying brown field sites and enhancing their value through obtaining planning permissions, 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 17 years. The Group seeks to acquire properties with development potential and apply its expertise in planning to win consents and approvals prior to selling consented land to house building companies.

Since its incorporation on 16 June 2005, Inland Homes has sold 25 building plots on two sites, producing an average annual return on equity of 122 per cent. and an average annual return on capital employed of 96 per cent. The Group currently owns or controls over 700 potential building plots.

The Group also seeks to make strategic investments in quoted and unquoted companies. The Company currently has investments in listed securities and a 10 per cent. interest in Howarth Homes, a private house building company. Further details of this investment are described in section 6 of this Part III.

#### 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 has since built up a portfolio of fourteen secured 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 brown field 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 May 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 and Stephen Trenwith being, respectively, the land director and development director of Inland Homes, the Group’s principal operating subsidiary.

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.

#### 3. Business

The Group specialises in acquiring brown field land with significant development potential on favourable terms and then creating substantial added value by obtaining or enhancing planning and other permissions before selling the consented land on to house builders.

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; and
- an in-depth understanding of planning regulations and practices.

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 house building 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.

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

The Group has already successfully acquired and disposed of two sites. The first of these, in Beaconsfield, was acquired as a redundant haulage yard in November 2005 and options were secured over two neighbouring gardens. Planning permission for 12 residential units and an office block was obtained in September 2006 and the property was sold on at a profit which represented an average annual return on capital employed of 94 per cent. and an average annual return on equity invested of 146 per cent.

The acquisition of the second site, a commercial property in Uxbridge, became unconditional in January 2006 on terms which included a delayed completion until October 2006. Planning permission for 12 residential units was obtained in May 2006 and the profit made on the subsequent sale represented an average annual return on capital employed of 98 per cent.

#### **4. Corporate strategy**

The Group's principal strategic objective is to build up a land bank which would be favourable to a major trade buyer. This will take a few years, during which time it will continue to sell certain sites where it can obtain attractive offers.

Inland will continue to invest in sites with purchase prices of up to £25 million, 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 house builders.

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 Group will also continue its strategy of identifying and acquiring strategic investments in quoted and unquoted companies, particularly those where the share price does not reflect the value of the underlying property assets or their development potential. It also invests in companies where

the Directors believe they can add value or benefit from a strategic relationship. The Company currently has quoted investments of approximately £1.6 million at cost and an interest in a house building company, Howarth Homes, as described in section 6 of this Part III.

## 5. Current Portfolio

The Company has fourteen sites in its current portfolio, which are at varying stages of the planning process. Selected properties are:

### *Queensgate, Farnborough, Hampshire*

Farnborough Land Limited acquired this 24.5 acre site from The Secretary of State for Defence in July 2006 and assigned its right and title to it to Inland Homes Limited in August 2006. The site is located to the South of Farnborough town centre adjacent to Farnborough airfield. The purchase price is £21.5 million of which £2.5 million was paid at completion, with the majority of the balance payable over four years, whether or not planning consent is obtained. Up to £3.5 million of the deferred consideration is payable once certain matters have been resolved by no later than 11 August 2018. The site includes a number of buildings, one of which is let for an annual rental stream of £210,000 and negotiations are progressing for a long term lease of another building on the site. A planning application is being prepared to regenerate this brown field site with a predominantly residential scheme.

The site is identified within the Borough Council local plan as being within a published planning brief confirming its suitability for a mix of employment and residential development. An initial master-planning exercise has shown that the site has the capacity to provide approximately 500 residential units along with some additional commercial uses and Inland intends to submit a planning application during 2007.

### *Minet Drive, Hayes, Middlesex*

This 4.2 acre site is located to the North East of Hayes town centre, adjacent to The Parkway (Hayes Bypass). The site was purchased for £3.8 million in September 2006 with payments spread over two years. A planning application for approximately 100 houses and apartments is being prepared for submission.

### *Redhill, Surrey*

This property is a former public house on a large corner plot in a residential area south of Redhill. Inland Homes purchased the property unconditionally in August 2006 for £2.05 million with an existing planning consent for 8 residential units on part of the site. A planning application has been submitted for 23 houses and apartments.

### *Old Hatfield, Hertfordshire*

Inland Homes has a conditional contract to purchase the property known as Howe Dell School, Old Hatfield, for between £2.75 million and £3.46 million. The property is set in five acres of landscaped grounds. The site includes a Grade II Listed building, currently housing the primary school, which totals approximately 10,000ft<sup>2</sup>. Inland proposes that this will be re-utilised for either institutional use or offices. Additionally, Inland shortly anticipates planning consent being granted for the erection of 24 mews style houses in the grounds, following detailed negotiations with the local authority. The purchase price is payable only upon planning permission being granted and once vacant possession is given.

### *Northwood, Middlesex*

This is a detached property on a large plot in Northwood, Middlesex which was purchased in the open market for £660,000. An option costing £10,000 has been secured for up to 18 months on a neighbouring house bringing the total purchase consideration to £1.46 million, of which £790,000 is payable on the exercise of the option. An application for planning permission has been submitted for 14 apartments.

## 6. Howarth Homes

Inland has a strategic investment in Howarth Homes, a profitable, Middlesex based, house building company. By selling consented land on arms length terms to Howarth Homes, Inland is able to realise its own planning gains and participate in the house building profits. Howarth currently has approximately 200 units under construction around North West London and the Home Counties.

Inland's investment in Howarth Homes was made on 14 December 2005, and comprised a subscription of £200,000 for a 10 per cent. equity interest and a loan of £800,000 represented by 800,000 in nominal value of Convertible Secured Loan Notes 2008/2010 ("Loan Notes") which attract interest at 2 per cent. above National Westminster Bank plc's base rate. The Loan Notes are capable of being converted into ordinary shares enabling Inland to increase its equity interest in Howarth Homes to up to 30 per cent. of the enlarged issued share capital. In addition Inland has provided a £2 million loan facility to Howarth Homes which is secured by a second charge over certain properties acquired by the Howarth group.

The Directors believe that Howarth Homes has sound 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 significant growth in the value of the Group's investment. In addition to this investment return, Inland benefits from the sale of land to Howarth. No sites will be sold to Howarth, 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 £247,000. In the year ended 30 June 2006 Inland's share of the associated income was £62,000.

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 £56,400 plus VAT per annum. Their ongoing time commitment to Howarth is not significant.

## 7. Market

The Directors believe that demand for residential development sites remains strong, with the number of households in England projected to increase from 20.9 million in 2003 to 25.7 million in 2026 and an estimated current annual shortfall in new homes required of 48,766 (source: Communities and Local Government Agency).

Additionally, the Government has stated its objective of achieving 200,000 new homes annually by 2016 (source: address by Ruth Kelly, Secretary of State for Communities and Local Government, 13 February 2007).

About 60 per cent. of the projected household growth is expected to be in London, South-West, East and South-East England, which are the Group's target areas.

Demand for land for residential development is therefore high and is likely to remain so for the foreseeable future.

Current Government policy favours development on brown field sites rather than green field land and this too is in line with the Group's business strategy.

Competition for sites with planning permission is high and house builders are having to reduce margins and increase turnover to remain competitive. In the Directors' experience, house builders 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.

The high level of competition is evidenced by the recent increase in takeovers and consolidation amongst the major house builders, which is substantially driven by the need to increase their holdings of developable land.

The planning process is generally recognised as being cumbersome, restrictive and subject to delays. Accordingly, the Group's ability to purchase brown field sites, obtain relevant planning permissions and sell plots on as 'ready to build' represents an attractive proposition to house builders. It reduces their land holding time and thereby enables them to increase turnover.

## 8. Financing the portfolio

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 will also enter into contracts which are conditional on planning consents being obtained. Another mechanism 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.

The Group's financial resources comprise the proceeds of share issues and borrowing facilities which its bankers have demonstrated their willingness to provide. The Directors do not currently expect more than 70 per cent. of the investment in the property development portfolio to be debt financed.

The proceeds of the placing will be used to purchase further sites with development potential and/or equity investment opportunities.

## 9. Summary financial information

The summary financial information below has been extracted without material adjustment from the financial information set out in Parts IV and V of this document.

	<i>Six months ended 31 December 2006 £'000</i>	<i>Period to 30 June 2006 £'000</i>
Revenue	3,867	—
Operating Profit/(Loss)	1,417	(738)
Total assets	35,916	6,130
Net assets	14,091	3,512

Due to the time it takes to obtain planning consents following land purchases, there were no sales during the period from incorporation to 30 June 2006. 25 plots on two sites were sold during the six months ended 31 December 2006, producing an average annual return on equity capital invested of 122 per cent. and an average annual return on capital employed of 96 per cent. The table above shows a rapid increase in gross assets, mainly attributable to the purchase of land. A substantial proportion of the difference between the gross assets and the net assets at 31 December 2006 is deferred consideration for land which amounted to £19.55 million at that date.

The receipt of the net placing proceeds will strengthen the gross and net asset position considerably.

## 10. The Placing and Admission

The Placing, which has been fully underwritten by KBC Peel Hunt, comprises 100,000,000 Placing Shares at the Placing Price. The Placing Shares will represent approximately 62 per cent. of the Enlarged Share Capital following the Placing.

The Placing is conditional, *inter alia*, upon Admission and the Placing Agreement becoming unconditional in all respects. Further details in respect of the Placing Agreement are set out in section 12.2 of Part VI of this document.

The gross proceeds of the Placing amount to £50 million.

Application has been made to the London Stock Exchange for the whole of the ordinary share capital of the Company (issued and to be issued pursuant to the Placing) to be admitted to trading on AIM. It is expected that Admission will take place and dealings in the Ordinary Shares will commence on 3 April 2007.



## 11. Reasons for the Placing and use of proceeds

The Board believes that admission to AIM will raise the profile of the Company and give it credibility in the marketplace, particularly with land vendors and their agents, as well as giving it access to new sources of funds and providing liquidity for its Ordinary Shares.

Additionally, the ability to offer quoted securities pursuant to the Share Option Scheme should help the Company attract and retain experienced staff.

The estimated net proceeds of the Placing after expenses will be approximately £47.49 million. The Company plans to use the majority of the net funds raised from the Placing to fund its acquisition of further brown field sites and as consideration for the exercise of any options on land it decides to exercise. The proceeds will also be used to invest in quoted and unquoted companies where Inland has identified property development value.

## 12. Dividend Policy

The Directors intend to commence the payment of dividends by the Company when it becomes commercially prudent to do so. There has been no dividend paid or made by the Company since its incorporation, and the Directors do not anticipate proposing any dividend during or in respect of the year ending 30 June 2007. The Directors consider that, for the immediate future, any cash generated should be retained to repay debt and fund the further development of the Group.

## 13. Directors and employees

### Board of Directors

**Stephen Wicks**, *Chief Executive* (aged 55) was the founding shareholder and chief executive of Country & Metropolitan plc, which was floated on the main market of the London Stock Exchange in December 1999 with a market capitalisation of £6.9 million. He directed the growth of Country & Metropolitan plc until its disposal in April 2005 to Gladedale Holdings plc for approximately £72 million. 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 green field and brown field sites.

**Nishith Malde**, *FCA Finance Director* (aged 48) 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 November 1998. He was actively involved in the preparation for the flotation of Country & Metropolitan plc in December 1999 and its further development (which included acquisitions and disposals) until it was acquired by Gladedale Holdings plc in April 2005. Mr Malde was recently appointed to the board of Billam plc and is also a non-executive director of SLR Holdings Limited, which has a successful international environmental consultancy business.

**Terry Roydon**, *Non executive Chairman* (aged 60) holds a B.Sc. 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 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 £140 million. 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 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 and McCann Homes Holdings Limited. From 1995 to 1997 he was president of the European Union of House builders and Developers.

**Simon Bennett**, *Non executive Director* (aged 48) has over 20 years investment banking experience in the City. Mr Bennett qualified as a chartered accountant with Saffery Champness in 1977. In 1982 he joined stockbrokers Scrimgeour Kemp Gee which was subsequently acquired by Citicorp (now Citigroup) 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 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 has recently left the practice to concentrate full time on growing Citicourt & Co. Limited, an independent corporate finance advisory business, where he is the Managing Director and the majority shareholder. Mr. Bennett is also non-executive chairman of Billam plc.

### Senior Management

**Paul Brett**, *Land director* (aged 30) worked with Country & Metropolitan plc for approximately ten years and was promoted to Land Director of the Southern Region. He has extensive experience in identifying brown field land and the processes of the planning system.

**Stephen Trenwith**, *Development director* (aged 40) BSc(hons) has eighteen years experience in residential development with major house builders, such as Berkeley Homes plc and Persimmon Homes plc, and has a wealth of land and planning knowledge. He has identified and secured planning consents on numerous residential and mixed use sites, and has experience in managing the delivery of complex urban schemes.

### Employees

At the date of this document the Group has 8 employees (of which 7 were employed as at 31 December 2006), all of whom are based in the UK and work full time for the Group.

## 14. Employee Share Option Schemes

The Directors believe that the Company's success will be dependent to a significant degree on the quality and loyalty of its employees. To assist in the recruitment, retention and motivation of high quality employees the Company must have an effective recruitment package. The Directors consider that an important part of this package is the ability to award equity incentives and, in particular, share options to key employees.

The Company has two share based incentive arrangements. The Executive Directors and certain senior members of the management team hold Incentive Shares which entitle them to participate on a change of control or winding up, subject to the Ordinary Shares achieving a compound annual return on the Placing Price of 10 per cent. or more. The value of the Incentive Shares is equivalent to the uplift in the value of Ordinary Shares representing 7 per cent. of the issued ordinary share capital immediately following Admission over 35 pence per Ordinary Share (or such other price as may be agreed with HM Revenue & Customs).

The incentive arrangements for other employees comprise an unapproved share option scheme. Options may be granted to any employee at the discretion of the Board, which may impose performance criteria. The detailed rules of the scheme are summarised in section 3 of Part VI of this document.

The value of an option, when exercised, is the difference between the exercise price and the market price of an Ordinary Share at the time.

The Company has the choice of (i) issuing new Ordinary Shares on the exercise of options or (ii) buying existing Ordinary Shares in the market. In the latter case the existing Ordinary Shares may be purchased prior to exercise and held in an employee benefit trust or purchased at the time the options are exercised.

No more than 10 per cent. of the issued share capital may be issued under all incentive arrangements at any time.

## **15. Corporate governance and Board committees**

The Directors recognise the importance of sound corporate governance. Whilst at this stage of the Company's development the Directors consider that full compliance with the Combined Code would be too onerous, the Company intends, following Admission, to comply with the main provisions of the Combined Code so far as is practicable and appropriate for a public company of its size.

The Company supports the concept of an effective Board leading and controlling the Company. The Board is responsible for approving the Company's policy and strategy. It meets frequently and receives and reviews, on a timely basis, financial and operating information appropriate to discharging its duties. Directors are free to seek any further information they consider necessary. Given the size of the Company it is not considered appropriate that there should be a separate nominations committee. It is the view of the Board that the appointment of new Directors should be a matter of consideration by the Board as a whole. All appointments to the Board are subject to confirmation by Shareholders at the following AGM.

The Company values the views of Shareholders and recognises their interest in the Company's strategy and performance and accordingly the Board positively encourages their attendance at general meetings.

The 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 the Company's auditors and, in consultation with the Company's auditors, the scope of the audit. It receives and reviews reports from management and the Company's auditors relating to the annual accounts and the accounting and internal control systems in use by the Company. The audit committee has unrestricted access to the Company'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 will be determined by the Executive Directors.

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

## **16. Share dealing code**

The Company has adopted, with effect from Admission, a share dealing code for its 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). The Company will take proper steps to ensure compliance by the Board and relevant employees.

## **17. Lock-in and orderly market arrangements**

Pursuant to Rule 7 of the AIM Rules, each of the Executive Directors and certain "related parties" and "applicable employees" have entered into lock-in arrangements in respect of their shareholdings on Admission pursuant to which they have undertaken to the Company, DDCF and KBC Peel Hunt not to, and to procure that their connected parties do not, dispose of the Ordinary Shares held by each of them on Admission at any time falling within twelve months from the date of

Admission (subject to certain limited exceptions including disposals by way of acceptance of a takeover offer, the death of a party or in the event of an intervening court order) (the “Lock-in Period”). After expiry of the Lock-in Period and for such time as DDCF or KBC Peel Hunt (as the case may be) are retained as nominated adviser and/or broker to the Company, the shareholders have agreed that any disposal of Ordinary Shares will be effected through KBC Peel Hunt provided that KBC Peel Hunt has been able to procure purchasers for the Ordinary Shares on a best execution basis within 30 days of it being requested to do so.

Further details of the lock-in arrangements are set out in sections 12.2 and 12.3 of Part VI of this document.

## **18. CREST**

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations. The Articles permit the holding of Shares to be evidenced in uncertificated form in accordance with the CREST Regulations. The Directors have applied for the Shares to be admitted to CREST with effect from Admission and CRESTCo has agreed to such admission. Accordingly settlement of transactions in the Shares following Admission may take place within the CREST system, should Shareholders so wish.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able so to do. All the Ordinary Shares will be in registered form and no temporary documents of title will be issued.

The ISIN number for the Ordinary Shares is GB00B1TR0310.

## **19. Taxation**

The attention of investors is drawn to the information contained in section 11 of Part VI of this document

## **20. Additional information**

The attention of investors is drawn to the information contained in the remainder of this document which provides additional information on the Group.

## PART IV

### Financial Information and Accountant's report on the Inland Group

#### Part A Financial Information

##### STATEMENT OF DIRECTORS RESPONSIBILITIES FOR THE PERIOD ENDED 30 JUNE 2006

The directors have prepared the Group non statutory International Financial Reporting Standard financial statements as if they were required for statutory purposes, consequently their responsibilities are identical except for the fact that these Group non statutory International Financial Reporting Standard Financial Statements are non statutory and therefore do not comply with every aspect of the Companies Act but will form the basis of the comparatives of the statutory financial statements for the year ended 30 June 2007.

The financial information set out in the Group non statutory International Financial Reporting Standard Financial Statements does not constitute the Group's Statutory accounts for the year ended 30 June 2006. The financial information for the period ended 30 June 2006 is derived from the statutory accounts for that period which have been delivered to the Registrar of Companies as re-stated under IFRS. The auditors reported on those accounts: their report was unqualified and did not contain a statement under s.237(2) or (3) Companies Act 1985.

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial period. These statements are special purpose statements and are therefore not prepared under the Companies Act. The directors have elected to prepare financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required to give a true and fair view of the state of affairs of the Group at the end of the period and of the profit or loss of the Group for the period then ended. In preparing those 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 IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 proper accounting records that disclose with reasonable accuracy at any time the financial position and to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that as far as they are aware:

- there is no relevant audit information of which the company's auditors are unaware
- 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 auditors are aware of that information.

## Consolidated income statement for the period ended 30 June 2006

	<i>Note</i>	<i>Period from 16 June 2005 to 30 June 2006 £000</i>
Revenue		—
Cost of sales	5	(5)
<b>Gross loss</b>		<u>(5)</u>
Administrative expenses	5	(733)
<b>Operating loss</b>		<u>(738)</u>
Interest expense	7	(53)
Interest income	8	49
		<u>(742)</u>
Share of profit of associate		<u>62</u>
Loss before tax		(680)
Income tax	9	214
<b>Loss for the period</b>		<u><u>(466)</u></u>
<b>Attributable to:</b>		
Equity holders of the Company		<u><u>(466)</u></u>
<b>Loss per share for profit attributable to the equity holders of the Company during the period</b>		
– basic and diluted	10	<u><u>(3.28p)</u></u>

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

## Consolidated Balance Sheet

At 30 June 2006

	<i>Note</i>	<i>At 30 June 2006 £000</i>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	11	36
Investments	12	808
Investments in associate	12	262
Deferred tax	13	214
		<u>1,320</u>
<b>Current assets</b>		
Inventories	14	3,533
Trade and other receivables	15	82
Loan to associate	16	380
Cash and cash equivalents	17	815
		<u>4,810</u>
<b>Total assets</b>		<u><u>6,130</u></u>
<b>EQUITY</b>		
<b>Capital and reserves attributable to the Company's equity holders</b>		
Share capital	18	3,279
Share premium account		699
Retained earnings		(466)
<b>Total equity</b>		<u>3,512</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	19	596
Deferred purchase consideration	20	1,497
Borrowings	21	525
<b>Total current liabilities</b>		<u>2,618</u>
<b>Total liabilities</b>		<u>2,618</u>
<b>Total equity and liabilities</b>		<u><u>6,130</u></u>

The financial statements were approved by the Board of Directors on 6 March 2007.

S. Wicks  
N. Malde  
Directors

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

## Consolidated statement of changes in equity

For the period ended 30 June 2006

	<i>Share capital</i> £000	<i>Share premium</i> £000	<i>Retained earnings</i> £000	<i>Total</i> £000
Loss attributable to shareholders	—	—	(466)	(466)
<b>Total recognised income and expense</b>	—	—	(466)	(466)
Issue of equity	3,279	699	—	3,978
<b>At 30 June 2006</b>	<u>3,279</u>	<u>699</u>	<u>(466)</u>	<u>3,512</u>

## Consolidated Cash Flow Statement

For the period ended 30 June 2006

	<i>Period from 16 June 2005 to 30 June 2006 £000</i>
<b>Cash flows from operating activities</b>	(680)
Loss for the period before tax	
Adjustments for:	
– depreciation	6
– interest expense	53
– interest income	(49)
– share of profit of associate	(62)
Changes in working capital (excluding the effects of acquisition):	
– increase in inventories	(3,582)
– increase in trade and other receivables	(462)
– increase in trade and other payables	2,106
<b>Net cash outflow from operating activities</b>	<u>(2,670)</u>
<b>Cash flow from investing activities</b>	
Interest received	40
Purchases of property, plant and equipment	(42)
Equity investment in Associate	(200)
Convertible Loan Stock in Associate	(800)
<b>Net cash used in investing activities</b>	<u>(1,002)</u>
<b>Cash flow from financing activities</b>	
Interest paid	(16)
New bank loans raised	525
Issue of shares	3,978
<b>Net cash from financing activities</b>	<u>4,487</u>
<b>Net increase in cash and cash equivalents</b>	815
<b>Cash and cash equivalents at beginning of period</b>	—
<b>Cash and cash equivalents at the end of the period</b>	<u>815</u>

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



## NOTES TO THE CONSOLIDATED NON STATUTORY INTERNATIONAL FINANCIAL REPORTING STANDARDS FINANCIAL STATEMENTS

For the period ended 30 June 2006

### 1. ACCOUNTING POLICIES

The non statutory International Financial Reporting Standard financial statements have been prepared using the accounting policies adopted by the Group for the period ended 30 June 2006 except in so far as they have been amended as result of adopting International Financial Reporting Standards. All of the new or revised accounting policies are detailed below. The financial statements are non statutory statements and have been prepared for purpose of forming the basis of the comparatives in the first International Financial Reporting Standard financial statements.

It should be noted that accounting estimates and judgements are used in preparing the non statutory International Financial Reporting Standard financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

#### **Basis of preparation**

The consolidated non statutory International Financial Reporting Standard 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 non statutory International Financial Reporting Standard financial statements have been prepared under the historical cost convention except that they have been modified to include the revaluation of certain non-current assets. The measurement bases and principal accounting policies of the Group are set out below.

The Group has previously prepared and filed financial statements for this its first accounting period under UK GAAP. Changes to accounting policies are explained in note 26, together with the reconciliation of the result for the period and the closing balance sheet.

#### **Standards in issue but not yet effective**

IFRS 7 Financial Instruments requires new disclosures relating to financial instruments. This standard will not have an impact on the classification or valuation of the Groups financial instruments.

IFRS 8 Operating Segments requires the Group to adopt a management approach to reporting on their operating segments. This standard will not have an impact on the Group reporting segments.

#### **Basis of consolidation**

The Group non statutory International Financial Reporting Standard financial statements consolidate those of the company and all of its subsidiary undertakings drawn up to 30 June 2006. 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 consolidated balance sheet at their fair values, which are also used as the bases 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.

### **Associates**

Associates are those entities over which the Group has significant influence 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 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 consolidated 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 the consolidated equity of the Group. 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 and services supplied, excluding VAT and trade discounts. Revenue is recognised upon the performance of services or transfer of risk to the customer.

#### ***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.

#### ***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 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. The gain or loss arising from the sale or revaluation of held for sale assets is included in “other income” or “other expense” 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 & fittings	– 25 per cent.
Office and computer equipment	– 25 per cent.

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

### **Impairment testing of property, plant and equipment**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset’s or cash-generating unit’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Cost includes cost of land and associated costs in relation to acquisition and process of application for planning permission less discount for deferred payment terms. Net realisable value is the anticipated sale value less costs to obtain planning permission.

### **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 balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity (such as the revaluation of land not included in inventories) in which case the related deferred tax is also charged or credited directly to equity.

### **Leased assets**

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability. Leases of land and buildings are split into land and buildings elements according to the relative fair values of the leasehold interests at the date of entering into the lease agreement.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

### **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.

### **Financial assets**

Financial assets, are divided into the following categories: loans and receivables and financial assets at fair value through profit or loss. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

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 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 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 income statement. Financial assets originally designated as financial assets at fair value through profit or loss may not be re-classified subsequently.

Financial assets are designated as at fair value through profit or loss where they eliminate or significantly reduce a measurement (or recognition) mismatch.

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 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 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 if 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. 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 income statement. All other financial liabilities are recorded initially at fair value, net of direct issue costs.

Financial liabilities categorised as at fair value through profit or loss are remeasured at each reporting date at fair value, with changes in fair value being recognised in the income statement. All other 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 income statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the 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. 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 balance sheet 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.

“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 focuses on the unpredictability of financial markets and seeks 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 customer with an appropriate credit history.

#### (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 consolidated balance sheet either as available for sale or at fair value through profit or loss.

## 3. SEGMENT INFORMATION

### Primary reporting format – business segments

At 30 June 2006, the Group is organised into one business segment in one geographical area consequently there is no segmental information presented in these non statutory International Financial Reporting Standard 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) *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.

(b) *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.

(c) *Discounting on 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**

(a) *Inventories*

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

(b) *Associate*

The Group has equity accounted for its 10 per cent. investment in Howarth Homes plc as an associate as the Company has significant influence over Howarth Homes plc through Board representation and participation in policy making.

**5. EXPENSES BY NATURE**

	<i>Period from 16 June 2005 to 30 June 2006 £000</i>
Depreciation (Note 11)	6
Operating lease rentals	50
Auditors' remuneration	
– Audit	12
Cost of sales	5
Other expenses	665
Total	<u>738</u>
Classified as:	
– cost of sales	5
– administrative expenses	733
	<u>738</u>

**6. DIRECTORS AND EMPLOYEES**

The employee benefit expense during the period was as follows:

	<i>Period from 16 June 2005 to 30 June 2006 £000</i>
Wages and salaries	466
Social security costs	48
Pension costs – defined contribution plans	29
	<u>543</u>

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

	<i>Period from 16 June 2005 to 30 June 2006 Number</i>
Management	3
Administration	2
	<u>5</u>

Remuneration in respect of directors was as follows:

	<i>Period from 16 June 2005 to 30 June 2006 £000</i>
Emoluments	389
Pension costs – defined contribution plans	28
	<u>417</u>

During the period one director participated in money purchase pension schemes.

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

	<i>Period from 16 June 2005 to 30 June 2006 £000</i>
Emoluments	142
Pension costs – defined contribution plans	25
	<u>167</u>

## 7. INTEREST EXPENSE

	<i>Period from 16 June 2005 to 30 June 2006 £000</i>
Interest expense:	
– bank borrowings	18
– debt finance costs	35
	<u>53</u>



## 8. INTEREST INCOME

	<i>Period from 16 June 2005 to 30 June 2006 £000</i>
Effective interest on loan stock	44
Bank interest receivable	5
	<u>49</u>

## 9. INCOME TAX

	<i>Period from 16 June 2005 to 30 June 2006 £000</i>
Deferred tax credit	<u>214</u>

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:

	<i>Period from 16 June 2005 to 30 June 2006 £000</i>
Loss before tax	<u>(680)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(204)
Associate profit	(19)
Expenses not deductible for tax purposes	9
Tax credit	<u>(214)</u>

## 10. LOSS PER SHARE

### Basic and diluted

Basic and diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	<i>Period from 16 June 2005 to 30 June 2006 £000</i>
Loss attributable to equity holders of the Company	<u>(466)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>14,195</u>
Basic and diluted loss per share in pence	<u>(3.28)p</u>

There were no potentially dilutive shares in issue.

## 11. PROPERTY, PLANT AND EQUIPMENT

	<i>Fixtures &amp; fittings £000</i>	<i>Office equipment £000</i>	<i>Total £000</i>
Period ended 30 June 2006			
Additions	14	28	42
Depreciation charge	(1)	(5)	(6)
Closing net book amount at 30 June 2006	<u>13</u>	<u>23</u>	<u>36</u>
At 30 June 2006			
Cost	14	28	42
Accumulated depreciation	(1)	(5)	(6)
Net book amount	<u>13</u>	<u>23</u>	<u>36</u>

## 12. INVESTMENTS

	<i>Associate £000</i>	<i>Equity in Convertible Loans</i>		<i>Total £000</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Cost</b>				
Additions	200	39	761	1,000
Notional interest adjustment	—	—	8	8
Share of profit of associates	62	—	—	62
At 30 June 2006	<u>262</u>	<u>39</u>	<u>769</u>	<u>1,070</u>
<b>Net book value</b>				
At 30 June 2006	<u>262</u>	<u>39</u>	<u>769</u>	<u>1,070</u>

In December 2005, Inland plc invested £200,000 in Howarth Homes plc and in return received ordinary shares amounting to 10 per cent. of the issued share capital of Howarth Homes plc.

Inland plc also subscribed for £800,000 convertible loan stock which can be convertible into ordinary shares at the option of Inland plc.

There are two dates when Inland plc could convert the loan stock:

- (a) £350,000 of these notes are convertible into 10 per cent. on 30 days notice between 1 October 2006 to 31 December 2008.
- (b) £450,000 of these notes are convertible into 10 per cent. on 30 days notice between 1 October 2006 to 31 December 2010.

As per the terms of the agreement with Howarth Homes plc, Inland plc is entitled to receive the full amount invested in these convertible loans, should the option to exercise these at the above dates not be taken up.

At 30 June 2006 the Company held or potentially held 20 per cent. or more of the equity of the following:

<i>Company name</i>	<i>Country of registration</i>	<i>Principal activity</i>	<i>Holding</i>
Inland Homes Limited	England & Wales	Real estate development	100%
Farnborough Land Limited	England & Wales	Real estate development	100%
Howarth Homes plc	England & Wales	Housebuilder	10%

Investments in associates include goodwill of £42,000.

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

<i>Name</i>	<i>Country of incorporation</i>	<i>Assets £000</i>	<i>Liabilities £000</i>	<i>Revenue £000</i>	<i>Profit £000</i>	<i>% held</i>
Howarth Homes plc	England and Wales	<u>1,659</u>	<u>1,417</u>	<u>846</u>	<u>62</u>	<u>10%</u>

### 13. DEFERRED TAX

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

	<i>£000</i>
Income statement credit (Note 9)	<u>214</u>
Period ended 30 June 2006	<u><u>214</u></u>

The movement in deferred tax assets is as follows:

	<i>Accelerated tax depreciation £000</i>	<i>Losses £000</i>	<i>Total £000</i>
Credited to income statement	<u>(3)</u>	<u>217</u>	<u>214</u>
At 30 June 2006	<u><u>(3)</u></u>	<u><u>217</u></u>	<u><u>214</u></u>

The deferred income tax asset is recoverable as follows:

	<i>2006 £000</i>
Deferred tax asset to be recovered within 12 months	<u>214</u>
	<u><u>214</u></u>

### 14. INVENTORIES

	<i>2006 £000</i>
Stock and work in progress	<u>3,533</u>

During the period a total of £nil of inventories was included in the income statement as an expense.

### 15. TRADE AND OTHER RECEIVABLES

	<i>2006 £000</i>
Prepayments	35
Other	<u>47</u>
	<u><u>82</u></u>

The carrying amounts of trade and other receivables approximate their fair values.

### 16. LOAN TO ASSOCIATE

	<i>2006 £000</i>
Advances to associate	<u>380</u>

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

## 17. CASH AND CASH EQUIVALENTS

	2006 £000
Cash at bank and in hand	<u>815</u>

## 18. SHARE CAPITAL

	<i>Number of shares £000</i>	<i>Ordinary shares £000</i>	<i>Total £000</i>
Issue of shares	<u>32,792,870</u>	<u>3,279</u>	<u>3,279</u>
At 30 June 2006	<u>32,792,870</u>	<u>3,279</u>	<u>3,279</u>

The total authorised number of ordinary shares is 100,000,000 with a par value 10 pence per share. All issued shares are fully paid.

## 19. TRADE AND OTHER PAYABLES

	2006 £000
Trade payables	92
Directors' loans	200
Social security and other taxes	15
Accruals and deferred income	<u>289</u>
	<u>596</u>

The carrying amounts of trade and other payables approximate their fair values.

## 20. DEFERRED PURCHASE CONSIDERATION

	2006 £000
Deferred purchase consideration on inventories	<u>1,497</u>

A first charge on property included within inventories has been granted to the seller.

## 21. BORROWINGS

	2006 £000
<b>Current</b>	
Bank borrowings	<u>525</u>

The sterling bank loan is secured by the land that was purchased using the loan.

The carrying amounts of borrowings approximate their fair values.

## 22. CONTINGENCIES

There were no contingent liabilities at 30 June 2006.

## 23. 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:

	2006 £000
Payable in one year	42
	<u>42</u>

#### 24. RELATED PARTY TRANSACTIONS

The investment undertaken in Howarth Homes plc is a related party transaction as S Wicks and N Malde are both directors of Howarth Homes plc. As at 30 June 2006 Inland plc had invested £200,000 in ordinary share capital and a further £800,000 in convertible loan stock. These amounts are included within investments.

As at 30 June 2006 there was an amount due from Howarth Homes plc amounting to £380,000. This is included within other receivables and is in respect of a rolling facility provided to Howarth Homes plc for a maximum balance of £2,000,000. The balance outstanding attracts interest of 4 per cent. above the National Westminster Bank plc base rate. The interest received from Howarth Homes plc for the period ended 30 June 2006 amounted to £35,376.

Included within trade payables is an amount due to Stephen Wicks Developments Limited totalling £7,438. During the period the Group paid management charges to Stephen Wicks Developments Limited for directors services amounting to £166,667. The company is related by the fact that it is controlled by S Wicks (director).

During the period the Group paid fees to SLR Consulting Limited of £38,645, a subsidiary of SLR Holdings Limited. The company is related by the fact that N Malde is director of SLR Holdings Limited.

At 30 June 2006 the Group owed £193,139 to S Wicks and £6,723 to N Malde. These amounts are in respect of directors' loans to the company. Interest of 5 per cent. per annum is payable on the loan amount due to S Wicks. No interest is payable on the loan amount due to N Malde.

#### 25. ULTIMATE CONTROLLING PARTY

S Wicks is considered to be the ultimate controlling party by virtue of his majority shareholding in the shares of the company.

#### 26. TRANSITION TO IFRS

##### Introduction

Inland plc has previously produced and filed financial statements under UK Generally Accepted Accounting Practice (UK GAAP). For the purpose of the Admission Document it has produced these consolidated financial statements in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the European Union.

##### *Reconciliations between IFRS and UK GAAP*

The following reconciliations provide a quantification of the effect of the transition to IFRS, with notes to the reconciliations:

- net income at 30 June 2006
- equity at 30 June 2006

The company was incorporated on 16 June 2005 and these financial statements under IFRS are the first financial statements. The cash flow statement for the period ended 30 June 2006 under IFRS is also the same as under UK GAAP apart from presentational differences.

## Reconciliation of net income for period ended 30 June 2006

	UK GAAP £000	Associate's profit £000	Notional interest £000	Convertible loan stock £000	IFRS £000
Revenue	—	—	—	—	—
Cost of sales	(5)	—	—	—	(5)
Gross loss	(5)	—	—	—	(5)
Administrative expenses	(733)	—	—	—	(733)
Operating loss	(738)	—	—	—	(738)
Finance costs – net	17	—	(29)	8	(4)
	(721)	—	(29)	8	(742)
Share of profit of associate	—	62	—	—	62
Loss before tax	(721)	62	(29)	8	(680)
Taxation	214	—	—	—	214
Loss for the period	(507)	62	(29)	8	(466)

## Reconciliation of equity at 30 June 2006

	UK GAAP £000	Associate's profit £000	Notional interest £000	Convertible loan stock £000	IFRS £000
<b>ASSETS</b>					
Non-current assets					
Property, plant & equipment	36	—	—	—	36
Investments	1,000	62	—	8	1,070
Deferred tax	214	—	—	—	214
	1,250	62	—	8	1,320
Current assets					
Inventories	3,582	—	(49)	—	3,533
Trade and other receivables	82	—	—	—	82
Loan to associate	380	—	—	—	380
Cash and cash equivalents	815	—	—	—	815
	4,859	—	(49)	—	4,810
Total assets	6,109	62	(49)	8	6,130
<b>EQUITY</b>					
Capital and reserves attributable to the Company's equity holders					
Share capital	3,279	—	—	—	3,279
Share premium account	699	—	—	—	699
Retained earnings	(506)	62	(29)	8	(466)
Total equity	3,471	62	(29)	8	3,512
<b>LIABILITIES</b>					
Current liabilities					
Trade and other payables	596	—	—	—	596
Deferred purchase consideration	1,517	—	(20)	—	1497
Borrowings	525	—	—	—	525
Total current liabilities	2,638	—	(20)	—	2,618
Total liabilities	2,638	—	(20)	—	2,618
Total equity and liabilities	6,109	62	(49)	8	6,130

## Notes to the reconciliations

- (a) The Group has applied IAS 28: Investments in Associates to its investment in Howarth Homes plc at 30 June 2006. The Company owns 10 per cent. of the equity but is able to exercise significant influence. The effect of equity accounting for Howarth Homes plc as an Associate is to take the Group's share of profit after tax of the Associate which amounts to £62,000.
- (b) In accordance with IAS 39, deferred payments arising from land creditors are to be held at discounted present value, hence recognising a financing element over the period of the deferred settlement terms. The land creditor is then increased to the settlement value over the period of financing, with the financing element charged as interest expense through the income statement.

The value of land held on the balance sheet and the corresponding land creditor is reduced by the financing element. The reduction in land value in inventories will result in an eventual reduction in cost of sales as the land is traded out. For the period ended 30 June 2006, this has resulted in an inclusion of notional interest of £29,000, a reduction of inventories by £49,000 and a net reduction in land creditors of £20,000.

- (c) The Group has applied IAS 39: Financial instruments: Recognition and Measurement to the Convertible Loan Stock in Howarth Homes plc. The effect of this is to separate the equity element of the convertible loan stock from the loan by discounting the asset to its net present value. The loan is then increased to the settlement value over the period of the loan stock with the net interest credited to the income statement and a corresponding increase in the loan stock. The effect of applying this Standard is to increase interest received by £8,000 and account for the equity element of the convertible loan stock at £39,000 and reducing the loan stock by a net amount of £31,000.

## 27. COMPANY INFORMATION

The company is a public limited company registered in England and Wales. The registered office and principal place of business is Trinity Court, Batchworth Island, Church Street, Rickmansworth, Hertfordshire, WD3 1RT.

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

Grant Thornton UK LLP  
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The Directors  
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Herts  
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29 March 2007

Dear Sirs

### INLAND PLC

We report on the financial information set out in Part IV, Section Part A 'Financial Information'. This financial information has been prepared for inclusion in the Aim Admission Document dated 29 March 2007 of Inland plc on the basis of the accounting policies set out in note 1.

### Responsibilities

This report is required by Paragraph (a) of Schedule Two of the AIM Rules and is given for the purpose of complying with that regulation and for no other purpose.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any responsibility to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report for our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules consenting to its inclusion in the Admission Document.

As described in the Statement of Directors' Responsibilities, the Directors of Inland plc are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards adopted by the European Union.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the AIM Admission Document, and to report our opinion to you.

### Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the

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significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

### **Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document dated 29 March 2007, a true and fair view of the state of affairs of Inland plc as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 1 and in accordance with International Financial Reporting Standards as adopted by the European Union as described in note 1.

### **Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the AIM admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

GRANT THORNTON UK LLP

## PART V

### Interim results for the six months ended 31 December 2006

#### Chief Executive's review

The Group has raised £11.2 million from private and institutional investors ahead of our planned flotation on the AIM market to provide additional working capital primarily for land acquisition.

We are now preparing a major planning application for our Queensgate, Farnborough project which comprises 24.5 acres of brownfield land purchased from Defence Estates. Whilst there are still a number of hurdles to be overcome the site which is allocated for a mixed use development should in due course provide up to 500 homes as well as some commercial development. Short term rental income from the site currently provides £210,000 per annum.

Apart from Farnborough we have 8 other projects on which we are seeking planning consents.

During the period 25 building plots on two sites were sold with planning permissions secured by Inland. The sale of these sites produced an average return on equity of 122 per cent. and an average return on capital employed of 96 per cent. which we believe is highly satisfactory.

We believe our investment in Howarth Homes plc has excellent prospects. We have invested £1 million in equity and convertible loan stock which would allow Inland to own up to 30 per cent. of Howarth on full conversion.

We have provided Howarth with a mezzanine facility of £2 million which together with improved banking facilities from Royal Bank of Scotland has enabled significant growth to take place over the last 12 months. Howarth currently have 9 sites under construction comprising over 200 homes with over 40 per cent. having been pre-sold.

The planning system is unfortunately continuing to deteriorate and despite our tenacious approach and the skills of the land team and the professionals we work with, each consent is a hard fought battle. It is therefore to our credit that the first few consents have been obtained and sales generated within such a short space of time. We expect some further consents and sales in the second half of the year but timing is difficult to predict.

Against a backdrop of a stable housing market and an acute shortage of sites with planning permission in popular areas, we believe the prospects for Inland to become a major force in the residential development market look extremely attractive.

Stephen Wicks  
*Chief Executive*

## Consolidated Income Statement

		<i>6 months to 31 December 2006 (Unaudited) £000</i>	<i>Period to 30 June 2006 (Unaudited) £000</i>
	<i>Notes</i>		
<b>Revenue</b>	2	3,867	—
Cost of sales		(1,810)	(5)
<b>Gross profit/(loss)</b>		<u>2,057</u>	<u>(5)</u>
Administrative expenses		(640)	(733)
<b>Operating profit/(loss)</b>		<u>1,417</u>	<u>(738)</u>
Interest expense		(586)	(53)
Interest income		198	49
		<u>1,029</u>	<u>(742)</u>
Share of (loss)/profit of associate		(19)	62
<b>Profit/(loss) before taxation</b>		<u>1,010</u>	<u>(680)</u>
Income tax		(306)	214
<b>Profit/(loss) for the period</b>		<u><u>704</u></u>	<u><u>(466)</u></u>
<b>Earnings/(loss) per share</b>			
Basic and diluted earnings/(loss) per share (pence)	3	<u><u>1.49p</u></u>	<u><u>(3.28p)</u></u>

## Consolidated balance sheet

		At 31 December 2006 (Unaudited) £000	At 30 June 2006 (Unaudited) £000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	59	36
Investments	5	1,006	808
Investments in associate	5	243	262
Deferred tax		159	214
		<u>1,467</u>	<u>1,320</u>
<b>Current assets</b>			
Inventories		27,119	3,533
Trade and other receivables		492	82
Loan to Associate		2,270	380
Cash and cash equivalents		4,568	815
		<u>34,449</u>	<u>4,810</u>
<b>Total assets</b>		<u><u>35,916</u></u>	<u><u>6,130</u></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	6	6,212	3,279
Share premium account		7,635	699
Retained earnings		238	(466)
Other reserves		6	—
<b>Total equity</b>		<u><u>14,091</u></u>	<u><u>3,512</u></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		321	596
Current tax liabilities		251	—
Deferred purchase consideration		4,957	1,497
Borrowings		1,700	525
<b>Total current liabilities</b>		<u>7,229</u>	<u>2,618</u>
<b>Non-current liabilities</b>			
Deferred purchase consideration		14,596	—
<b>Total non-current liabilities</b>		<u>14,596</u>	<u>—</u>
<b>Total liabilities</b>		<u><u>21,825</u></u>	<u><u>2,618</u></u>
<b>Total equity and liabilities</b>		<u><u>35,916</u></u>	<u><u>6,130</u></u>

The interim statement was approved by the Board of Directors on 6 March 2007.

### Consolidated statement of changes in equity

	<i>Share capital</i> £000	<i>Share premium</i> £000	<i>Retained earnings</i> £000	<i>Other reserves</i> £000	<i>Total</i> £000
Loss attributable to shareholders	—	—	(466)	—	(466)
<b>Total recognised expenses</b>	—	—	(466)	—	(466)
Issue of equity	3,279	699	—	—	3,978
<b>At 30 June 2006</b>	<u>3,279</u>	<u>699</u>	<u>(466)</u>	<u>—</u>	<u>3,512</u>
Fair value adjustment in respect of available for sale financial assets	—	—	—	6	6
Net income recognised directly in equity	—	—	—	6	6
Profit attributable to shareholders	—	—	704	—	704
<b>Total recognised income</b>	—	—	704	6	710
Issue of shares	2,933	6,936	—	—	9,869
<b>At 31 December 2006</b>	<u>6,212</u>	<u>7,635</u>	<u>238</u>	<u>6</u>	<u>14,091</u>

### Consolidated cash flow statement

	<i>6 months to 31 December 2006 (Unaudited) £000</i>	<i>Period to 30 June 2006 (Unaudited) £000</i>
<b>Cash flows from operating activities</b>	1,010	(680)
Profit/(loss) for the period before tax		
Adjustments for:		
– depreciation	6	6
– interest income	(198)	(49)
– interest expense	586	53
– share of profit of associate	19	(62)
Changes in working capital (excluding the effects of acquisition):		
– increase in inventories	(26,772)	(3,582)
– increase in trade and other receivables	(2,300)	(462)
– increase in trade and other payables	20,444	2,106
<b>Net cash outflow from operating activities</b>	<u>(7,205)</u>	<u>(2,670)</u>
<b>Investing activities</b>		
Interest received	193	41
Purchases of property, plant and equipment	(29)	(43)
Purchase of listed investments	(186)	—
Equity investment in Associate	—	(200)
Convertible Loan Stock in Associate	—	(800)
<b>Net cash used in investing activities</b>	<u>(22)</u>	<u>(1,002)</u>
<b>Financing activities</b>		
Interest paid	(64)	(16)
Repayments of bank borrowings	(525)	—
New bank loans raised	1,700	525
Issue of shares	9,869	3,978
<b>Net cash from financing activities</b>	<u>10,980</u>	<u>4,487</u>
<b>Net increase in cash and cash equivalents</b>	3,753	815
<b>Cash and cash equivalents at beginning of period</b>	815	—
<b>Cash and cash equivalents at the end of the period</b>	<u>4,568</u>	<u>815</u>

## NOTES TO THE CONSOLIDATED INTERIM STATEMENT

The financial information contained in this report does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The full accounts for the period ended 30 June 2006, which were prepared under UK GAAP and which received an unqualified report from the auditors, and did not contain a statement under s237(2) or (3) of the Companies Act 1985, have been filed with the Registrar of Companies. The unaudited financial information contained in this report has been prepared on the basis of the accounting policies set out in note 1. Comparative figures for the period ended 30 June 2006 contained within this report are detailed together with reconciliations explaining the transition to IFRS are in the notes to the consolidated interim statement.

### 1. ACCOUNTING POLICIES

The financial statements have been prepared using the accounting policies adopted by the Group for the period ended 30 June 2006 except in so far as they have been amended as result of adopting International Financial Reporting Standards. All of the new or revised accounting policies are detailed below. The comparative figures for 30 June 2006 have been derived from the audited financial statements for that period, adjusted where necessary for the inclusion of changes resulting from the adoption of International Financial Accounting Standards.

#### **Basis of preparation**

The consolidated interim statement has been prepared in accordance with recognition and measurement requirements of International Financial Reporting Standards (“IFRS”) IAS 34 Interim Financial reporting. This statement does not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the period ended 30 June 2006.

The financial statements have been prepared under the historical cost convention except that they have been modified to include the revaluation of certain non-current assets. The measurement bases and principal accounting policies of the Group are set out below.

The policies have changed from the previous period, its first accounting period, when the financial statements were prepared under applicable United Kingdom Generally Accepted Accounting Principles (UK GAAP). The comparative information has been restated in accordance with IFRS. The changes to accounting policies are explained in the notes, together with the reconciliation of the result for the period and the closing balance sheet.

The Group has taken advantage of certain exemptions available under IFRS 1 First-time adoption of International Financial Reporting Standards. The exemptions are explained under respective accounting policies.

#### **Standards in issue but not yet effective**

IFRS 7 Financial Instruments requires new disclosures relating to financial instruments. This standard will not have an impact on the classification or valuation of the Groups financial instruments.

IFRS 8 Operating Segments requires the Group to adopt a management approach to reporting on their operating segments. This standard will not have an impact on the Group reporting segments.

#### **Basis of consolidation**

The Group financial statements consolidate those of the company and all of its subsidiary undertakings drawn up to 31 December 2006. 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 consolidated balance sheet at their fair values, which are also used as the bases 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.

### **Associates**

Associates are those entities over which the Group has significant influence 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 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 consolidated 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 the consolidated equity of the Group. 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 and services supplied, excluding VAT and trade discounts. Revenue is recognised upon the transfer of risk to the customer.

#### *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.

### ***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 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. The gain or loss arising from the sale or revaluation of held for sale assets is included in “other income” or “other expense” 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 & fittings – 25 per cent.

Office and computer equipment – 25 per cent.

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

### **Impairment testing of property, plant and equipment**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset’s or cash-generating unit’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation.

All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Cost includes cost of land and associated costs in relation to acquisition and process of application for planning permission less discount for deferred payment terms. Net realisable value is the anticipated sale value less costs to obtain planning permission.

### **Taxation**

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



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 balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity (such as the revaluation of land not included in the inventories) in which case the related deferred tax is also charged or credited directly to equity.

### **Leased assets**

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability. Leases of land and buildings are split into land and buildings elements according to the relative fair values of the leasehold interests at the date of entering into the lease agreement.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

### **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.

### **Financial assets**

Financial assets, are divided into the following categories: loans and receivables and financial assets at fair value through profit or loss. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

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 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 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 income statement. Financial assets originally designated as financial assets at fair value through profit or loss may not be re-classified subsequently.

Financial assets are designated as at fair value through profit or loss where they eliminate or significantly reduce a measurement (or recognition) mismatch.

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 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 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.

### **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 income statement. All other financial liabilities are recorded initially at fair value, net of direct issue costs.

Financial liabilities categorised as at fair value through profit or loss are remeasured at each reporting date at fair value, with changes in fair value being recognised in the income statement. All other 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 income statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the 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. 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 balance sheet 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.

“Profit and loss reserve” represents retained profits.

## 2. SEGMENT REPORTING

At 30 June 2006, the Group is organised into one business segment in one geographical area consequently there is no segmental information presented in these preliminary International Financial Reporting Standard financial statements.

## 3. EARNINGS/(LOSS) PER SHARE

### Basic and diluted

Basic and diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	<i>6 months to 31 December 2006 (Unaudited) £000</i>	<i>Period to 30 June 2006 (Unaudited) £000</i>
Profit/(loss) attributable to equity holders of the Company	704	(466)
Weighted average number of ordinary shares in issue (thousands)	47,258	14,195
Basic and diluted profit/(loss) per share in pence	<u>1.49p</u>	<u>(3.28p)</u>

There are no potentially dilutive shares in issue.

## 4. PROPERTY, PLANT & EQUIPMENT

During the six months ended 31 December 2006 the Group acquired assets with a cost of £29,000. Depreciation of £6,000 was charged.

## 5. INVESTMENTS

	<i>Associate £000</i>	<i>Available for sale assets £000</i>	<i>Equity in Convertible Loans £000</i>	<i>Loans £000</i>	<i>Total £000</i>
<b>Cost</b>					
At 1 July 2006	262	—	39	769	1,070
Additions	—	186	—	—	186
Fair value adjustment	—	6	—	—	6
Notional interest adjustment	—	—	—	6	6
Share of profit of associates	(19)	—	—	—	(19)
At 30 June 2006	<u>243</u>	<u>192</u>	<u>39</u>	<u>775</u>	<u>1,249</u>
<b>Net book value</b>					
At 30 June 2006	<u>243</u>	<u>192</u>	<u>39</u>	<u>775</u>	<u>1,249</u>

## 6. SHARE CAPITAL

### Shares in issue

	<i>6 months to 31 December 2006 (Unaudited)</i>	<i>Period to 30 June 2006 (Unaudited)</i>
Shares in issue at start of period	32,792,866	—
Shares issued	29,329,193	32,792,866
Net shares in issue	<u>62,122,059</u>	<u>32,792,866</u>

## 7. UK GAAP RECONCILIATIONS

### Introduction

Inland plc has previously produced and filed financial statements under UK Generally Accepted Accounting Practice (UK GAAP). For the purpose of the Admission Document it has produced this consolidated interim financial statement in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the European Union.

### Reconciliations between IFRS and UK GAAP

The following reconciliations provide a quantification of the effect of the transition to IFRS, with notes to the reconciliations:

– net income at 30 June 2006

– equity at 30 June 2006

Equity at 16 June 2005 under IFRS is the same as under UK GAAP. The cash flow statement for the period ended 30 June 2006 under IFRS is also the same as under UK GAAP apart from presentational differences.

### Reconciliation of net income for period ended 30 June 2006

	<i>UK GAAP £000</i>	<i>Associate's profit £000</i>	<i>Notional interest £000</i>	<i>Convertible loan stock £000</i>	<i>IFRS £000</i>
Revenue	—	—	—	—	—
Cost of sales	(5)	—	—	—	(5)
Gross loss	(5)	—	—	—	(5)
Administrative expenses	(733)	—	—	—	(733)
Operating loss	(738)	—	—	—	(738)
Finance costs – net	17	—	(29)	8	(4)
	(721)	—	(29)	8	(742)
Share of profit of associate	—	62	—	—	62
Loss before tax	(721)	62	(29)	8	(680)
Taxation	214	—	—	—	214
Loss for the period	<u>(507)</u>	<u>62</u>	<u>(29)</u>	<u>8</u>	<u>(466)</u>

## Reconciliation of equity at 30 June 2006

	UK GAAP £000	Associate's profit £000	Notional interest £000	Convertible loan stock £000	IFRS £000
<b>ASSETS</b>					
Non-current assets					
Property, plant & equipment	36	—	—	—	36
Investments	1,000	62	—	8	1,070
Deferred tax	214	—	—	—	214
	<u>1,250</u>	<u>62</u>	<u>—</u>	<u>8</u>	<u>1,320</u>
Current assets					
Inventories	3,582	—	(49)	—	3,533
Trade and other receivables	82	—	—	—	82
Loan to associate	380	—	—	—	380
Cash and cash equivalents	815	—	—	—	815
	<u>4,859</u>	<u>—</u>	<u>(49)</u>	<u>—</u>	<u>4,810</u>
Total assets	<u><u>6,109</u></u>	<u><u>62</u></u>	<u><u>(49)</u></u>	<u><u>8</u></u>	<u><u>6,130</u></u>
<b>EQUITY</b>					
Capital and reserves attributable to the Company's equity holders					
Share capital	3,279	—	—	—	3,279
Share premium account	699	—	—	—	699
Retained earnings	(506)	62	(29)	8	(466)
Total equity	<u><u>3,471</u></u>	<u><u>62</u></u>	<u><u>(29)</u></u>	<u><u>8</u></u>	<u><u>3,512</u></u>
<b>LIABILITIES</b>					
Current liabilities					
Trade and other payables	596	—	—	—	596
Deferred purchase consideration	1,517	—	(20)	—	1497
Borrowings	525	—	—	—	525
Total current liabilities	<u>2,638</u>	<u>—</u>	<u>(20)</u>	<u>—</u>	<u>2,618</u>
Total liabilities	<u>2,638</u>	<u>—</u>	<u>(20)</u>	<u>—</u>	<u>2,618</u>
Total equity and liabilities	<u><u>6,109</u></u>	<u><u>62</u></u>	<u><u>(49)</u></u>	<u><u>8</u></u>	<u><u>6,130</u></u>

## Notes to the reconciliations

- (a) The Group has applied IAS 28: Investments in Associates to its investment in Howarth Homes plc at 30 June 2006. The effect of equity accounting for Howarth Homes plc as an Associate is to take the Group's share of profit after tax of the Associate which amounts to £62,000.
- (b) In accordance with IAS 39, deferred payments arising from land creditors are to be held at discounted present value, hence recognising a financing element over the period of the deferred settlement terms. The land creditor is then increased to the settlement value over the period of financing, with the financing element charged as interest expense through the income statement.

The value of land held on the balance sheet and the corresponding land creditor is reduced by the financing element. The reduction in land value in inventories will result in an eventual reduction in cost of sales as the land is traded out. For the period ended 30 June 2006, this has resulted in an inclusion of notional interest of £29,000, a reduction of inventories by £49,000 and a net reduction in land creditors of £20,000.

- (c) The Group has applied IAS 39: Financial instruments: Recognition and Measurement to the Convertible Loan Stock in Howarth Homes plc. The effect of this is to separate the equity element of the convertible loan stock from the loan by discounting the asset to its net present value. The loan is then increased to the settlement value over the period of the loan stock with the net interest credited to the income statement with a corresponding increase in the loan stock. The effect of applying this Standard is to increase interest received by £8,000 and account for the equity element of the convertible loan stock at £39,000 and reducing the loan stock by a net amount of £31,000.

## INDEPENDENT REVIEW REPORT TO INLAND PLC

### Introduction

We have been instructed by the company to review the financial information for the six months ended 31 December 2006 which comprises the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement and the related notes 1 to 7. We have read the other information contained in the interim statement which comprises only the chief executives review and considered whether it contains any apparent misstatements or material inconsistencies with the financial information. Our responsibilities do not extend to any other information.

This report is made solely to the company in accordance with guidance contained in APB Bulletin 1999/4 "Review of Interim Financial Information". Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a review 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, for our review work, for this report, or for the conclusion we have formed.

### Directors' responsibilities

The interim statement including the financial information contained therein is the responsibility of, and has been approved by, the directors. They are responsible for preparing the interim report and ensuring that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

As disclosed in note 7, the next annual financial statements of the Group will be prepared in accordance with International Financial Reporting Standards as adopted by the European Union. This interim report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the requirements of IFRS 1 "First-time Adoption of International Financial Reporting Standards" relevant to interim reports except for the 31 December 2005 interim results are not included.

The accounting policies are consistent with those that the directors intend to use in the next annual financial statements.

### Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 "Review of Interim Financial Information" issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

### Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 December 2006.

Grant Thornton UK LLP  
Chartered Accountants  
London Thames Valley Office  
Slough

6 March 2007

## PART VI

### Additional Information

#### 1. Incorporation

- 1.1 The Company was incorporated and registered in England and Wales on 16 June 2005 under the name Inland Limited with registered number 5482990 as a private limited company with limited liability under the Act. The Company re-registered as a public limited company on 12 April 2006 under the name Inland plc.
- 1.2 The principal legislation under which the Company operates is the Act. The liability of the Company's members is limited.
- 1.3 The registered and head office of the Company is located at Trinity Court, Batchworth Island, Church Street, Rickmansworth, Hertfordshire WD3 1RT.
- 1.4 The principal activity of the Company is that of a holding company of a group of companies that deal in real estate.

#### 2. Share capital of the Company and powers of allotment

- 2.1 Since its incorporation, the following changes have occurred in the share capital of the Company:
  - 2.1.1 One ordinary share of £1 was issued on incorporation.
  - 2.1.2 On 4 January 2006, resolutions were passed at an extraordinary general meeting of the Company:
    - 2.1.2.1 increasing the authorised share capital of the Company to £10,000,000; and
    - 2.1.2.2 subdividing the one issued share in the capital of the Company and the whole of its authorised but unissued share capital (as so increased) into, in aggregate, 100,000,000 shares of £0.10 each.
  - 2.1.3 On 4 January 2006, 29,999,999 Ordinary Shares were allotted at par. These shares are fully paid up in cash.
  - 2.1.4 On 28 March 2006 written resolutions were passed by the shareholders of the Company:
    - 2.1.4.1 authorising the directors, in accordance with section 80 of the Act, to allot Ordinary Shares having an aggregate nominal value equal to the authorised but unissued share capital; and
    - 2.1.4.2 disapplying the rights of pre-emption conferred by section 89(1) of the Act in respect of any allotment made pursuant to the authority referred to in paragraph 2.1.4.1 above.
  - 2.1.5 On 5 June 2006, 2,792,857 Ordinary Shares were allotted at £0.35 per share. These shares are fully paid up in cash.
  - 2.1.6 On 4 August 2006, 6,710,367 Ordinary Shares were allotted at £0.35 per share. These shares are fully paid up in cash.
  - 2.1.7 On 22 August 2006, 157,142 Ordinary Shares were allotted at £0.35 per share. These shares are fully paid up in cash.
  - 2.1.8 On 30 August 2006, 714,285 Ordinary Shares were allotted at £0.35 per share. These shares are fully paid up in cash.
  - 2.1.9 On 5 September 2006, 10,000 Ordinary Shares were allotted at £0.35 per share. These shares are fully paid up in cash.



- 2.1.10 On 2 October 2006, 970,000 new Ordinary Shares were allotted at £0.35 per share. These shares are fully paid up in cash.
- 2.1.11 On 3 October 2006, 12,085,335 new Ordinary Shares were allotted at £0.35 per share. These shares are fully paid up in cash.
- 2.1.12 On 19 October 2006, 580,427 new Ordinary Shares were allotted at £0.35 per share. These shares are fully paid up in cash.
- 2.1.13 On 6 November 2006, 1,639,583 new Ordinary Shares were allotted at £0.35 per share. These shares are fully paid up in cash.
- 2.1.14 On 14 November 2006, 2,678,482 new Ordinary Shares were allotted at £0.35 per share. These shares are fully paid up in cash.
- 2.1.15 On 22 November 2006, 3,640,572 new Ordinary Shares were allotted at £0.35 per share. These shares are fully paid up in cash.
- 2.1.16 On 6 December 2006, 143,000 new Ordinary Shares were allotted at £0.35 per share. These shares are fully paid up in cash.
- 2.1.17 On 8 March 2007, 1,000 Incentive Shares were conditionally allotted at £1 per share. The allotment became unconditional on 19 March 2007. These shares are fully paid up in cash.
- 2.1.18 On 26 March 2007, 28,000 new ordinary shares were allotted at £0.50 per share. These shares are fully paid up in cash.
- 2.1.19 On 19 March 2007, special resolutions were passed at the EGM:
  - 2.1.19.1 increasing the authorised share capital of the Company from £10,000,000 to £24,000,000 by the creation of an additional 139,990,000 Ordinary Shares and 1,000 Incentive Shares;
  - 2.1.19.2 authorising the directors, in accordance with section 80 of the Act, to exercise all the powers of the Company to allot relevant securities of the Company having an aggregate nominal value equal to the aggregate amount of the authorised but unissued share capital of the Company, such authority to expire at the earlier of the conclusion of the annual general meeting of the Company to be held in 2008 or 15 months from the date of the resolution, save that the Company may make offers or agreements, before the expiry of such authority, which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities pursuant to any such offers or agreements as if such authority had not expired;
  - 2.1.19.3 empowering the directors, pursuant to section 95 of the Act, to allot equity securities of the Company pursuant to the authority referred to in paragraph 2.1.19.2 above as if section 89(1) of the Act did not apply to any such allotment, such power being limited to the allotment of equity securities for cash:
    - 2.1.19.3.1 in connection with a rights issue or similar pro rata offer but with such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements, record dates or legal or practical problems under the law of, or the requirements of any recognised regulatory body or any stock exchange in, any territory or as regards shares held by an approved depository or in issue in uncertificated form;
    - 2.1.19.3.2 pursuant to the Placing (such authority being limited to equity securities having an aggregate nominal value of up to £11,111,111); and

2.1.19.3.3 otherwise than as referred to in paragraphs 2.1.19.3.1 and 2.1.19.3.2 above, up to a maximum nominal amount equal to £1,732,332;

and on terms that such resolution would permit and enable the Company to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and would permit the directors to allot such securities pursuant to any such offer or agreement notwithstanding the expiry of such power; and

2.1.19.4 authorising the Company, with effect from Admission, to purchase up to 25,984,796 Ordinary Shares, representing approximately 15 per cent. of the aggregate issued share capital as it would be assuming the allotment of all the shares authorised for allotment by 2.1.19.3.2 above, at a price of not less than 10 pence per Ordinary Share nor more than 105 per cent. of the average of the middle market quotation for Ordinary Shares on the Daily Official List (AIM) of London Stock Exchange plc for the five business days prior to the date of the purchase, should such a purchase be appropriate having regard to market conditions from time to time, and to hold such shares in treasury for the Company to dispose of or otherwise deal with in accordance with the provisions of the Act.

2.2 The authorised and issued ordinary share capital of the Company as at 28 March 2007 (the latest practicable date prior to the publication of this document), and following completion of the Placing, is set out below:

		<i>Authorised</i>	<i>Number</i>	<i>Issued and fully paid</i>	<i>Number</i>
(i)	Current	£23,999,000	239,990,000	£6,215,006	62,150,059
(ii)	Proposed	£23,999,000	239,990,000	£16,215,006	162,150,059

In addition to the ordinary share capital, there are 1,000 authorised, issued and fully paid Incentive Shares of £1 each.

2.3 Save as disclosed in this Part VI and save for the issue of the Placing Shares and the grant of options under the Share Option Scheme, no capital of the Company is proposed to be issued or is under option or is agreed conditionally or unconditionally to be put under option.

2.4 The Company does not have in issue any securities not representing share capital and there are no outstanding convertible securities issued by the Company.

2.5 Save as disclosed in this Part VI:

2.5.1 no share or loan capital of the Company has been issued or is now proposed to be in issue, fully or partly paid, either for cash or for a consideration other than cash;

2.5.2 no share or loan capital of any member of the Group is under option or agreed conditionally or unconditionally to be put under option;

2.5.3 no commission, discount, brokerage or any other special term has been granted by the Company or is now proposed in connection with the issue of sale of any part of the share or loan capital of the Company;

2.5.4 except as described in this Part VI, no founder, management or deferred shares have been issued by the Company; and

2.5.5 no amount or benefit has been paid or is to be paid or given to any promoter of the Company.

2.6 The Ordinary Shares in issue upon Admission will be in registered form and, following Admission, will be capable of being held in uncertificated form. Application has been made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on AIM. No temporary documents of title will be issued and it is anticipated that definitive share certificates will be posted by first class post to Shareholders on or before 13 April 2007.

- 2.7 The Placing Shares will rank *pari passu* in all respect with the Ordinary Shares in issue at the date of this document, including the right to receive all dividends and other distributions declared, made or paid following Admission in respect of the ordinary share capital of the Company.
- 2.8 Otherwise than pursuant to the Placing, none of the Ordinary Shares has been marketed or is available, in whole or in part, to the public.
- 2.9 The Articles permit the holding and transfer of Ordinary Shares under CREST. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Directors have applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted, and accordingly enabled for settlement in CREST, as soon as practicable after Admission has occurred.

### 3. Incentive schemes

The Company operates two schemes for the benefit of its employees and officers, namely the Incentive Share Scheme and the Share Option Scheme:

#### *Incentive Share Scheme*

At the EGM, a resolution was passed to amend the Company's articles of association and create £1,000 in nominal value of a new class of shares (of par value £1.00) which were designated as "redeemable shares" (the "Incentive Shares").

All 1,000 Incentive Shares were conditionally allotted on 8 March 2007 and, following the EGM, were issued to the following Executive Directors and senior managers as follows:

<i>Name of Executive</i>	<i>Number of Incentive Shares</i>
Stephen Desmond Wicks	490
Nishith Malde FCA	392
Paul Brett	98
Stephen Trenwith	20

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 Ordinary Shares (calculated as dividends received, together with the increase in share price over the Placing Price 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 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 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 11,350,504 (being 7 per cent. of the number of Ordinary Shares in issue immediately following Admission); 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 11,350,504 (being 7 per cent. of the number of Ordinary Shares in issue immediately following Admission).

### *Share Option Scheme*

The Company has also adopted a share option scheme for the benefit of the Group's employees. Options granted pursuant to the Share Option Scheme shall be subject to an aggregate limit of 10 per cent. of the issued share capital of the Company from time to time, less 11,350,504 Ordinary Shares (being 7 per cent. of the Enlarged Share Capital).

The 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 the Company, the Board shall determine any adjustments necessary to the number of Ordinary Shares comprised in an Option and the exercise price in respect of such Ordinary Shares under the Share Option Scheme.

The exercise price in respect of the Options shall not be less than (i) the Market Value of an Ordinary Share at the date of grant of the Option; or (ii) if greater, the nominal value of an Ordinary Share. For the purposes of determining the exercise price "Market Value" shall be (i) where the Ordinary Shares are listed on AIM be the average of the closing mid-market quotation of 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 Ordinary Shares are not listed on AIM, the value of an Ordinary Share as determined by the 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 the Company or its subsidiaries shall vest on a takeover or winding-up of the Company or, if earlier, three years from the date of grant. The Board may otherwise provide for different vesting schedules in respect of Options granted.

On 8 March 2007, the Board granted, to certain employees, an aggregate of 1,160,000 Options, conditional upon Admission, to be exercised at the Placing Price and subject in certain cases to the same conditions as those attaching to the Incentive Shares.

#### **4. Auditors**

Flemmings, resigned on 13 January 2007 as auditors of the Company when the Company appointed its current auditors, Grant Thornton UK LLP.

#### **5. Memorandum and articles of association**

The provisions contained in clause 4(a) of the Company's memorandum of association determining its objects state that the Company's main activity is that of a general commercial company, and the provisions of clause 4(c) of the Company's memorandum of association specifically state the Company 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 the Company".

The articles of association of the Company adopted pursuant to a special resolution of the Company passed on 19 March 2007 ("Articles") include provisions to the following effect:

##### **5.1 General Meetings**

- 5.1.1 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.

- 5.1.2 An annual general meeting and an extraordinary general meeting called for the passing of a special resolution shall be called by at least 21 clear days' notice. All other extraordinary 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.
- 5.1.3 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 an extraordinary general meeting shall be deemed special. All business transacted at an annual general meeting shall be deemed special except:
- 5.1.3.1 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;
  - 5.1.3.2 the declaration or sanction of dividends;
  - 5.1.3.3 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;
  - 5.1.3.4 the appointment and re-appointment of auditors and the fixing, or determination of the manner of the fixing, of their remuneration;
  - 5.1.3.5 the grant, renewal or variation of the authorities of the Company in general meeting required by the Acts in relation to the allotment of shares in accordance with article 5; and
  - 5.1.3.6 the renewal or regranting of an existing authority for a scrip dividend alternative.
- 5.1.4 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 or extraordinary resolution, the notice shall specify the intention to propose the resolution as a special or extraordinary resolution, as the case may be.
- 5.1.5 The accidental omission 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.
- 5.2 *Notices to shareholders*
- 5.2.1 Subject to the provisions of the 2006 Act, the Company 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.
- 5.2.2 The Company 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.
- 5.2.3 No provision of the Articles will prohibit a shareholder from requesting that the Company provide, at no extra cost to the shareholder, a hard copy of any document or notice sent or supplied by the Company.

### 5.3 *Rights attaching to the Ordinary Shares*

#### 5.3.1 *Dividends*

- 5.3.1.1 Subject to the provisions of the Acts, the Company 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 the Company held as treasury shares.
- 5.3.1.2 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.
- 5.3.1.3 Subject to the provisions of the Acts, the Board may declare and pay interim dividends if it considers that the profits of the Company 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 the Company unless otherwise provided by the rights attached to those shares.
- 5.3.1.4 The Board may, with the authority of an ordinary resolution of the Company, 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.
- 5.3.1.5 The Board may, with the authority of an ordinary resolution of the Company, 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.
- 5.3.1.6 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 the Company.
- 5.3.1.7 The Company 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.

#### 5.3.2 *Voting rights*

- 5.3.2.1 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.
- 5.3.2.2 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 the Company, 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.

### 5.3.3 *Rights attaching to Ordinary Shares on a distribution of assets*

5.3.3.1 On a winding-up of the Company, with the sanction of an extraordinary 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 the Company 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.

### 5.4 *Transfers of Ordinary Shares*

5.4.1 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.

5.4.2 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.

### 5.5 *Disclosure of interests in shares*

5.5.1 If any member or other person appearing to be interested in shares of the Company 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 the Company 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.

5.5.2 The restrictions available to the board are the suspension of voting or other rights conferred by membership in relation to meetings of the Company 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.

### 5.6 *Changes in share capital*

5.6.1 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 the Company 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, the Company may issue shares which are, or at the option of the Company 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.

- 5.6.2 Subject to the provisions of the Acts the Company 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.
- 5.6.3 Subject to the provisions of the Acts, the Company 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.
- 5.7 *Variation of rights*
- 5.7.1 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).
- 5.7.2 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 the Company of any of its own shares in accordance with the Acts and the Articles.
- 5.8 *Lien and forfeiture*
- The Company 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 the Company 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.
- 5.9 *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, the Company) unless his interest arises only because the case falls within one or more of the following paragraphs:
- 5.9.1 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, the Company or any of its subsidiary undertakings;
- 5.9.2 the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company 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;
- 5.9.3 a contract, arrangement, transaction or proposal concerning an offer of shares, debentures or other securities of the company 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;



- 5.9.4 any contract, arrangement, transaction or proposal 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;
- 5.9.5 any contract, arrangement, transaction or proposal for the benefit of the employees of the Company 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
- 5.9.6 any contract, arrangement, transaction or proposal concerning any insurance which the Company is empowered to purchase or maintain for, or for the benefit of, any directors of the Company or for persons who include directors of the Company.

#### 5.10 *Remuneration of Directors*

- 5.10.1 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 the Company may from time to time by ordinary resolution determined. 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.
- 5.10.2 Any director not holding executive office and who serves on any committee of the Board or who devotes special attention to the business of the Company, 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 5.10.1 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.
- 5.10.3 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 the Company 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.
- 5.10.4 The directors shall be entitled to be repaid by the Company 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.
- 5.10.5 A director shall not be required to hold any shares of the Company by way of qualification.

#### 5.11 *Appointment of Directors*

Directors may be appointed by the Company 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.

### 5.12 *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.

### 5.13 *Alternate Directors*

5.13.1 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.

5.13.2 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.

5.13.3 An alternate director may be repaid by the Company such expenses as might properly have been repaid to him if he had been a director but shall not be entitled to receive any remuneration from the Company in respect of his services as an alternate director.

5.13.4 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.

### 5.14 *Directors' Meetings*

5.14.1 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.

5.14.2 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.

### 5.15 *Borrowing Powers*

Subject to the provisions of the Articles, the Directors may exercise all the powers of the Company to borrow money, to guarantee, to indemnify or charge its undertaking, property, assets (present and future) and uncalled capital, and to issue debentures and other securities, either outright or as collateral security for any debt, liability or obligation of the Company, or of a third party.

## 6. Directors' and other interests

6.1 The names, addresses and functions of the Directors are set out on page 4 of this document.

6.2 The current directorships and partnerships of the Directors and the directorships and partnerships held by them over the previous five years are as follows:

<i>Director</i>	<i>Current directorships or partnerships</i>	<i>Past directorships or partnerships</i>
<b>Stephen Desmond Wicks</b>	Stephen Wicks Developments Limited Highlands Village Limited Prime Assets Limited Bryanstone House Management (Leominster) Limited Howarth Homes plc Inland plc Inland Homes Limited Farnborough Land Limited	Country and Metropolitan Limited Belhouse Limited Country & Metropolitan Homes (Northern) limited Gladedale (Surrey) Limited Country & Metropolitan Homes (East Midlands) Limited St. James Village Limited Bredero Homes Limited Country & Metropolitan Homes (Earlswood) Limited Country & Metropolitan Homes (Highlands) Limited Country & Metropolitan Homes (Hitchin) Limited Straytime Limited Bestshield Properties Limited Storey Homes (Lancaster) Limited Country & Metropolitan Homes (Manchester) Limited Burnside Mill Developments Limited Broseley Homes Limited Country & Metropolitan Homes (Woking) Limited The Potterells Management Company Limited New Hartley Developments Limited Kiddies Care Limited Gladedale (South Yorkshire) Limited Gladedale (Lincoln) Limited Gladedale (Lancashire) Limited Gladedale (East Midlands) Limited Gladedale (Home Counties) Limited Gladedale (Developments) Limited Gladedale (South West) Limited Gladedale (Stockton) Limited Gladedale (Leeds) Limited Gladedale (Central) Limited Reland (Rissington) Limited Gladedale (Southern) Limited

<i>Director</i>	<i>Current directorships or partnerships</i>	<i>Past directorships or partnerships</i>
<b>Nishith Motilal Meghji Mulji Malde FCA</b>	Highlands Village Limited SLR Holdings Limited Prime Assets Ltd Howarth Homes plc Billam plc World Life Sciences Limited Urco Limited Inland plc Inland Homes Limited Farnborough Land Limited EiRx Pharma Limited Development Funding Limited Double Helix Partnership Carina Capital Limited	Country and Metropolitan Limited Belhouse Limited Country & Metropolitan Homes (Northern) Limited Gladedale (Surrey) Limited Country & Metropolitan Homes (East Midlands) Limited St. James Village Limited Bredero Homes Limited Country & Metropolitan Homes (Earlwood) Limited Country & Metropolitan Homes (Highlands) Limited Country & Metropolitan Homes (Hitchin) Limited Straytime Limited Bestshield Properties Limited Storey Homes (Lancaster) Limited Country & Metropolitan Homes (Manchester) Limited Burnside Mill Developments Limited Broseley Homes Limited SpaceX (C&M) Limited Country & Metropolitan Homes (Woking) Limited Kiddies Care Limited New Hartley Developments Limited High Royds Limited Gladedale (South Yorkshire) Limited Gladedale (Lincoln) Limited Gladedale (Lancashire) Limited Gladedale (East Midlands) Limited Gladedale (Home Counties) Limited Gladedale (Developments) Limited Gladedale (South West) Limited Gladedale (Stockton) Limited Gladedale (Leeds) Limited Gladedale (Central) Limited Reland (Rissington) Limited Gladedale (Southern) Limited Homestart Barnet
<b>Terry René Roydon</b>	Hansom Property Company Limited St. Helen's School Northwood Magnum Fine Wines plc PPS Group Limited Gladedale (Southern) Limited McCann Homes Limited	Anglo European Estates Limited Foldhilt Limited Banner Homes Group plc Banner Management Limited Banner (2000) Limited Banner Homes Holdings Limited

<i>Director</i>	<i>Current directorships or partnerships</i>	<i>Past directorships or partnerships</i>
<b>Terry René Roydon</b> <i>(continued)</i>	Robust Details Limited Gladedale Holdings plc McCann Homes Holdings Limited Dom Development S.A. 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	Banner Homes Limited Swallow Homes Limited National House-Building Council Home Builders Federation Limited Maison Pierre S.A.
<b>Simon Bennett</b>	Citicourt & Co Limited Kamstar Limited Billam plc EiRx Pharma Limited Incremental Capital LLP Saba Capital Partners LLP	Baker Tilly & Co Limited

6.3 None of the business interests or activities of the Directors outside the Group, whether set out in paragraph 6.2 above or otherwise, conflict with their duties to the Group.

6.4 Save as set out in paragraph 6.5 below, no Director:

6.4.1 has any unspent convictions in relation to indictable offences; or

6.4.2 has been the subject of any bankruptcies or individual voluntary arrangements or had a receivership appointed over any asset; or

6.4.3 has been a director of a company which, while he was a director or within 12 months after he ceased to be a director, had a receiver appointed or when into compulsory liquidation, creditors' voluntary liquidation, administration or company voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors; or

6.4.4 has been a partner of any partnership which, while he was a partner or within 12 months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed over any partnership asset; or

6.4.5 has had any public criticism by any statutory or regulatory authorities (including recognised professional bodies); or

6.4.6 has been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of any company.

6.5 Stephen Desmond Wicks was a director of Ashton Group Limited ("Ashton"), a property development company, which went into administrative receivership on 5 December 1989. The receiver ceased to act in August 1995. As a consequence of this administrative receivership, Mr Wicks entered into an individual voluntary arrangement with his creditors in respect of his personal debts and personal guarantees given in relation to Ashton's business which was concluded by agreement with his creditors on 22 October 1996.

6.6 Save as set out below and in section 3 of this Part VI, none of the Directors or any of their immediate family, nor any person connected with any of the Directors within the meaning of section 346 of the Act has any interest in the share capital of the Company or any member of the Group as at 28 March 2007 (the latest practicable date prior to the publication of this document):

<i>Director</i>	<i>Ordinary Shares at the date of this document</i>		<i>Ordinary Shares following Admission</i>	
	<i>Ordinary Shares</i>	<i>Percentage</i>	<i>Ordinary Shares</i>	<i>Percentage</i>
Stephen Desmond Wicks	19,950,009	32.11	19,950,009	12.30%
Nishith Malde FCA	8,000,000	12.88	8,000,000	4.93%

The Ordinary Shares held by Mr Wicks include 2,050,000 Ordinary Shares held by his immediate family, pension fund trustees and by him and his spouse on trust for his infant children, and the Ordinary Shares held by Mr Malde include 8,000,000 Ordinary Shares held by his pension fund trustees.

6.7 As at the date of this document, the Directors do not hold any options to subscribe for or to purchase Ordinary Shares.

6.8 Other than the Directors, whose interests are set out in paragraph 6.6 above, the Directors are not aware of any person who is interested (within the meaning given to that expression in Part VI of the Act), directly or indirectly, in 3 per cent. or more of the share capital (as defined in section 198(2) of the Act) of the Company other than those set out below as at 28 March 2007 (being the latest practicable date prior to publication of this document). None of these shareholders has different voting rights from the Ordinary Shareholders:

<i>Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital as at 28 March 2007</i>
JM Finn Nominees Ltd	6,088,150	9.8%
Unique Limited	5,652,329	9.1%
Anthony Kenneth Brett, Jane Brett and Rowanmoor Trustees Ltd	2,857,142	4.6%
Ko Barclay	2,142,857	3.4%

Save as otherwise disclosed in this document, and in particular in section 13 of this Part VI, no Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and was effected during the current or immediately preceding financial year or was effected during any earlier financial year which remains outstanding and unperformed in any respect.

6.9 As at 28 March 2007 (being the latest practicable date prior to publication of this document), there are no loans or guarantees granted or provided by the Company and/or any member of the Group to or for the benefit of any of the Directors which are now outstanding. Stephen Wicks previously advanced an aggregate of £2,118,050 to the Company, all of which has now been repaid. The Company paid interest at 5 per cent. on such loan amounts, totalling £33,831 in aggregate.

## 7. Directors' service agreements and remuneration

7.1 Nishith Malde and Stephen Wicks entered into service agreements with the Company on 8 March 2007. Each of these agreements is terminable by either party giving the other 12 months' written notice, to be served no earlier than the first anniversary of the date of Admission. The agreements do not provide for any payment of benefits to the Executive Directors upon termination of their employment.

In addition, the agreements referred to above provide for the following:

<i>Director</i>	<i>Annual salary</i>	<i>Position</i>	<i>Period served</i>
Stephen Wicks	£225,000	Chief Executive	Since 1 September 2005
Nishith Malde	£225,000	Finance Director	Since 1 September 2005

- 7.2 Each of the agreements referred to in 7.1 above contains confidentiality provisions and restrictive covenants on the part of the relevant Executive Director that, during the term of the agreement and for a period of 6 months thereafter, the Executive Director shall not, without prior Board approval, 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.
- 7.3 In addition, the following benefits and emoluments are also granted to each of the Executive Directors under the terms of the agreements referred to in 7.1 above:
- 7.3.1 contribution by the Company of a sum equal to 20 per cent. of the Director's annual salary in respect of a personal pension scheme;
- 7.3.2 fully expensed company car or annual car allowance of £20,000;
- 7.3.3 entitlement to annual discretionary bonus, up to a maximum of 100 per cent. of basic salary;
- 7.3.4 contribution by the Company of a sum equal to the premiums necessary to provide the Executive Director (including his spouse and dependent children) with private health care insurance;
- 7.3.5 entitlement to participate, at the Company's expense, in a permanent health and death in service insurance scheme; and
- 7.3.6 25 days holiday entitlement and statutory sick pay.
- 7.4 The aggregate amount of the remuneration paid and benefits in kind granted to the Executive Directors in respect of the period ended 30 June 2006 was £417,371. The aggregate amount of the remuneration paid and benefits in kind granted to the Executive Directors in respect of the six-month period ending 30 December 2006 was £317,673.26.
- 7.5 Pursuant to a letter of appointment dated 8 March 2007, Hansom Property Company Limited will provide the services of Terry Roydon to the Company as Non executive chairman. The letter of appointment governs the terms of appointment of Mr Roydon as non executive director and chairman of the Company, 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 Board meetings and his appointment to the remuneration and audit committees of the Board. The letter of appointment also contains provisions protecting confidential information relating to the Group.
- 7.6 Pursuant to a letter of appointment dated 8 March 2007, Incremental Capital LLP will provide the services of Simon Bennett to the Company as non executive director. The letter of appointment governs the terms of appointment of Mr Bennett as Non executive director of the Company, 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 Board meetings and his appointment to the remuneration and audit committees of the Board. The letter of appointment also contains provisions protecting confidential information relating to the Group.

## 8. The Company and its subsidiaries

- 8.1 The Company is the holding company of a group of companies that deal in real estate. The Company has the following subsidiaries, both of which are private limited companies incorporated in England and Wales and are wholly owned (directly or indirectly) by the Company:

<i>Name</i>	<i>Principal Activity</i>	<i>Issued share capital (fully paid) (ordinary shares of £1 each)</i>
Inland Homes Limited (no. 5482989)	Property Development	£1,085,001
Farnborough Land Limited (no. 5569887) (in members' voluntary liquidation)	Property Development	£1,085,000

- 8.2 Farnborough Land Limited (“FLL”) was placed into members’ voluntary liquidation on 1 August 2006. FLL’s main asset was its rights in the sale agreement dated 14 July 2006 to acquire the Queensgate, Farnborough site described in section 5 of Part III of this document, which were assigned to Inland Homes on 2 August 2006. FLL’s only other asset was cash at bank of approximately £10,000 which covers all creditors / expenses of FLL as at the date of this agreement. Accordingly, no shortfall will arise on the liquidation of FLL.
- 8.3 In addition to the above subsidiaries, the Company owns 10 per cent. of Howarth Homes plc, which is an associated company due to the Company’s ability to exert significant influence over Howarth. Further details in respect of the Company’s investment in Howarth are set out in paragraph 12.1 of this Part VI.

## 9. Litigation and arbitration

There are no legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have or have had, during the twelve months prior to the publication of this document, a significant effect on the financial position of the Group and there are no legal or other proceedings outstanding.

## 10. Working capital

The Directors believe, having made due and careful enquiry, that the working capital available to the Company from the time of Admission will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

## 11. Taxation

The following information, which sets out the taxation treatment for holders of Ordinary Shares, is based on existing law in force in the UK and what is understood to be current HM Revenue & Customs practice. It is intended as a general guide only and applies to Shareholders who are resident in the UK (except to the extent that specific reference is made to Shareholders resident outside the UK), who hold the Ordinary Shares as investments and who are the absolute beneficial owners of those Ordinary Shares.

Any Shareholders who are in any doubt as to their taxation position or who are subject to taxation in any jurisdiction other than the UK should consult their professional advisers immediately. Shareholders should note that the levels and bases of, and relief from, taxation may change and that changes may affect benefits of investment in the Company. This summary is not exhaustive and does not generally consider tax relief or exemptions.

### 11.1 *Taxation of Dividends*

Under current UK tax legislation, no tax will be withheld from any dividend paid by the Company.

### 11.2 *UK Resident Individual Shareholders*

An individual UK resident Shareholder is currently entitled to a tax credit in respect of the dividend (the “associated tax credit”) that can be set off against the total liability to UK income tax. The amount of the associated tax credit is equal to one-ninth of the cash dividend received. The aggregate of the cash dividend and the associated tax credit (the “dividend income”) will be included in the Shareholder’s income for UK tax purposes and will be treated as the top slice of the Shareholder’s income. Thus, an individual UK resident Shareholder receiving a cash dividend of £90 will be treated as having received dividend income of £100, which has the associated tax credit of £10 attached to it.

An individual UK resident Shareholder who, after taking into account the dividend income, pays income tax at the lower rate or basic rate will pay tax on the dividend income at the “ordinary dividend rate” of 10 per cent. against which he can set off the tax credit. As a consequence, such a Shareholder will have no further liability to account for income tax on the cash dividend received.



An individual UK resident Shareholder who, after taking into account the dividend income, pays income tax at the higher rate will pay tax on the dividend income at the “higher dividend rate” of 32.5 per cent. against which he can set off the associated tax credit. Such a Shareholder will have a liability to account for additional tax on the dividend income, calculated by multiplying the gross dividend by the “higher dividend rate” and deducting the tax credit. This will be equivalent to 25 per cent. of the cash dividend received.

An individual UK resident Shareholder who does not pay income tax or whose liability to income tax does not exceed the amount of the associated tax credit will not be entitled to claim repayment of the associated tax credit attaching to the dividend.

### 11.3 *Trustees of UK Resident Trusts*

For dividends paid to trustees of UK resident discretionary or accumulation trusts, the dividend income will be subject to UK income tax at the “dividend trust rate” of 32.5 per cent. To the extent that the associated tax credit exceeds the trustees’ liability to account for income tax, the trustees will have no right to claim repayment of the associated tax credit. Trustees who are in any doubt as to their position should consult their own professional advisers immediately.

### 11.4 *UK Resident Corporate Shareholders*

A UK resident corporate Shareholder will generally not be liable to UK corporation tax on any dividend received.

### 11.5 *UK Resident Pension Funds and Charities*

UK resident pension funds and charities are not subject to tax on dividends which they receive. Neither are they generally entitled to claim repayment of the associated tax credit.

### 11.6 *Non-resident Shareholders*

A Shareholder not resident in the UK for tax purposes is generally not taxed in the UK on dividends received by them nor entitled to an associated tax credit in respect of a dividend received. However, such a non-resident Shareholder may be entitled to a payment from the UK taxing authority (HM Revenue & Customs) of a proportion of the associated tax credit in respect of dividends paid to him under a double tax treaty between the UK and the country in which the Shareholder is resident for tax purposes. Non-resident Shareholders may be subject to foreign tax on the dividend income received from the Company. Such non-resident Shareholders should consult their own professional tax advisers on the incidence of tax in the country in which they are resident for tax purposes, as to whether they are entitled to the benefit of any associated tax credit and the procedure for claiming repayment. An individual shareholder who is not resident in the UK but is a Commonwealth citizen, a national of a member state of the European Economic Area or falls within certain categories of person within section 278 of the Income and Corporation Taxes Act 1988 is entitled to set the associated tax credit against their UK income tax liability.

### 11.7 *Taxation of Chargeable Gains*

A disposal of Ordinary Shares by an individual or corporate Shareholder may result in a liability to UK taxation on chargeable gains, depending upon the relevant circumstances of the transaction and the particular Shareholder’s circumstances. Shareholders who are not resident or ordinarily resident in the UK for tax purposes should not generally have liability to UK taxation on chargeable gains.

On 5 April 1998, “taper relief” was introduced which applies to individual Shareholders and trustees (but not to corporate Shareholders). Taper relief reduces the proportion of any chargeable gain assessable to capital gains tax by reference to the period of ownership of the Ordinary Shares by a Shareholder. The rate of taper depends upon whether the Shareholder holds the Ordinary Shares as “business” or “non-business” assets, with the speed of taper relief being accelerated for Ordinary Shares held as “business” assets. Business assets include shares in qualifying unquoted companies or qualifying holding companies. For these

purposes, Shareholders should note that companies admitted to trading on AIM are regarded as unquoted. However it is necessary that a company is regarded as a qualifying company in order for the shareholders to obtain business asset taper relief. The directors anticipate that the holding company will be a qualifying company for business asset taper relief but cannot provide a guarantee on this point. Individual shareholders are advised to seek confirmation from HM Revenue & Customs as to whether the company would be a qualifying company at the appropriate time.

#### 11.8 *Stamp Duty and Stamp Duty Reserve Tax*

Transfers of or sales of Ordinary Shares will be subject to ad valorem stamp duty (payable by the purchaser and generally at the rate of 0.5 per cent. of the consideration given rounded up to the next £5.00). An unconditional agreement to transfer such shares, if not completed by a duly stamped stock transfer form by the seventh day of the month following the month in which such agreement is made or becomes unconditional, will be subject to SDRT (payable by the purchaser and generally at the rate of 0.5 per cent. of the consideration given). However, if within six years of the date of the agreement, an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on the instrument, any liability to SDRT will be cancelled or repaid.

### 12. Material contracts

The following are the only contracts (not being contracts entered into in the ordinary course of business) which (i) have been entered into by any member of the Group since incorporation and which are, or may be, material to the Group; or (ii) have been entered into by any member of the Group at any time and contain a provision under which any member of the Group has any obligation or entitlement which is material to the Group at the date of this document:

#### 12.1 *Howarth Homes*

The Company holds a 10 per cent. interest in the share capital of Howarth Homes plc (“Howarth”), an unquoted public company, and an option to acquire up to a further 20 per cent. of Howarth’s issued share capital. Details of the relevant subscription and convertible loan agreements are set out below.

##### 12.1.1 *Shareholders and investment agreement dated 14 December 2005 between the original shareholders of Howarth (the “Original Shareholders”), the Company, Howarth, Stephen Wicks and Nishith Malde (the “Investment Agreement”)*

Pursuant to the Investment Agreement, the Company was allotted 345,833 ordinary shares of £0.10 each, representing 10 per cent. of the issued share capital of Howarth, at a price of £200,000.

The Investment Agreement shall remain in full force and effect for so long as the Company and each of the Original Shareholders hold shares in Howarth. The Investment Agreement contains non-solicitation clauses restricting the Company from soliciting customers, suppliers and/or employees of Howarth for the duration of the Investment Agreement and for eighteen months after its expiration, and includes customary pre-emption rights on transfers of shares.

Additionally, the Investment Agreement includes veto rights in favour of the Company in respect of certain management and shareholder decisions, including an absolute veto in respect of new issues of shares, variations to the articles of association of Howarth and the creation of additional charges over the assets of Howarth.

Pursuant to the Investment Agreement, Mr Malde and Mr Wicks were also nominated by the Company as non-executive directors of Howarth, and the Company receives an annual management fee from Howarth in respect of each of Mr Malde and Mr Wicks equivalent to the individual’s annual director’s fees (currently £25,000) together with employer’s national insurance contributions, VAT and properly incurred expenses.

12.1.2 *Howarth loan note Instrument dated 14 December 2005 constituting £800,000 principal amount of variable rate secured loan notes 2008/10 (the “Loan Note Instrument”)*

The terms of the Company Loan are set out in a Loan Note Instrument which created £800,000 in nominal value of variable rate secured convertible loan notes 2008/10 (“Loan Notes”).

The Loan Notes are secured by a floating charge over the assets of Howarth and accrue interest at 2% above the National Westminster Bank plc base rate from time to time. For the avoidance of doubt, Inland also has an absolute veto right pursuant to the Investment Agreement in respect of the creation of additional charges by Howarth.

The Loan Notes are convertible, at the option of the Company, into such number of new shares of Howarth as represents up to 30 per cent. of the issued share capital of that company after such conversion, taking into account the shares subscribed by the Company pursuant to the Investment Agreement, as follows:

- the “First Tranche” (£350,000 of the Loan Notes) may be converted at any time between 1 October 2006 and 31 December 2008 into such number of ordinary shares as shall after issue and conversion be equivalent to 10 per cent. of the enlarged issued ordinary share capital of Howarth, as enlarged by such issue and conversion. If conversion is not effected, the First Tranche and accrued interest is repayable in cash on 31 December 2008; and
- the “Second Tranche” (£450,000 of the Loan Notes) may be converted at any time between 1 October 2006 and 31 December 2010 into such number of new ordinary shares of Howarth as shall after issue and conversion be equivalent to 10 per cent. of the issued ordinary share capital of Howarth, as enlarged by such issue and conversion. If conversion is not effected, the Second Tranche and accrued interest is repayable in cash on 31 December 2010.

In the event of a takeover offer for Howarth, the Company will have the right to either exercise its conversion rights or require Howarth to repay the whole of the Loan Notes and accrued interest in cash. In addition, the Loan Note Instrument contain an accelerated repayment obligation upon the happening of customary events of default.

12.1.3 *Facility letter dated 14 December 2005 from the Company to Howarth (the “Facility Letter”)*

The Company and Howarth have entered into the Facility Letter in respect of the provision by the Company of a rolling facility of up to £2,000,000 to Howarth, with an applicable interest rate of 4 per cent. per annum above National Westminster Bank plc’s base rate. The parties shall enter into discussions concerning renewal or repayment of outstanding amounts advanced under the Facility Letter by no later than 30 June 2010.

Amounts advanced under the Facility Letter shall become repayable in the event of a default or on 31 December 2010 whichever is the earlier. Any advance drawn under the Facility Letter shall be secured by way of a second charge secured on the relevant property being purchased pursuant to the relevant development project approved by the board of Howarth. As at 26 March 2007, Howarth had £1.89 million outstanding under the Facility Letter.

12.2 *The Placing Agreement*

Pursuant to the Placing Agreement, KBC Peel Hunt, as agent for the Company, has agreed to use its reasonable endeavours to procure places for the Placing Shares, or, failing which, itself subscribe for any such shares not taken up by places, at the Placing Price. The

agreement is conditional, inter alia, upon Admission taking place on or before 3 April 2007 or such later date as KBC Peel Hunt and DDCF may agree but in any event not later than 17 April 2007. The Company will pay to KBC a commission equal to 3.5 per cent. of the aggregate value of the number of Placing Shares (excluding any Placing Shares subscribed for by placees introduced by DDCF) at the Placing Price (the “Gross Proceeds”) and will, in addition, pay to DDCF a success fee equal to 0.85 per cent. of the Gross Proceeds of up to £50 million and 0.70 per cent. of any Gross Proceeds in excess of £50 million. DDCF is entitled to a minimum fee, conditional upon Admission, of £150,000. The Company will also pay DDCF a commission of 3 per cent. of the amount subscribed for by any placee introduced by DDCF. In each case, all costs and expenses of KBC Peel Hunt and DDCF, including the fees of professional advisers, printing and distribution charges, the fees of the Registrars and the fees payable to the London Stock Exchange together with VAT thereon, where applicable, will be paid by the Company.

The agreement contains warranties and indemnities given by the Company and warranties given by the Company and the Directors, in each case, in favour of KBC Peel Hunt and DDCF.

Pursuant to Rule 7 of the AIM Rules and the Placing Agreement, each of Nishith Malde and Stephen Wicks has agreed not to dispose of any interest in their Ordinary Shares for the period expiring on the first anniversary of Admission save in the event of an intervening court order, by way of acceptance of any general offer relating to the Company’s share capital, or the death of the Executive Director (the “Lock-in Period”).

After expiry of the Lock-in Period and for such time as DDCF or KBC Peel Hunt (as the case may be) are retained as nominated adviser and/or broker to the Company, the shareholders have agreed that any sale or disposal of Ordinary Shares will be effected through KBC Peel Hunt, provided that KBC Peel Hunt has been able to procure purchasers for the Ordinary Shares on a best execution basis within 30 days of it being requested to do so.

KBC Peel Hunt may terminate the placing agreement in specified circumstances prior to Admission, including in the event of a matter arising before Admission which if it had occurred before the date of the Placing Agreement would have rendered any of the warranties untrue or incorrect in any material respect, where the Company or the Directors have failed in any material respect to comply with their obligations under the Placing Agreement, the Act, FSMA or the AIM Rules, where any matter arises which is such as to materially affect the financial position and/or prospects of the Group taken as a whole, or which in the reasonable opinion of KBC Peel Hunt is or will be materially prejudicial to the Company or the Placing, or where any change in national or international financial, monetary, economic, political or market conditions which in the opinion of KBC Peel Hunt is, will be or is likely to be materially prejudicial to the Placing or the Group as a whole.

### 12.3 *Lock-in arrangements*

Pursuant to Rule 7 of the AIM Rules and lock-in arrangements entered into on 28 March 2007, “related parties” of the Directors and “applicable employees” (together the “relevant shareholders”) have agreed not to dispose of any interest in their Ordinary Shares for the period expiring on the first anniversary of Admission, save in the event of an intervening court order, by way of acceptance of any general offer relating to the Company’s share capital or on the death of the party (the “Lock-in Period”).

After expiry of the Lock-in Period and for such time as DDCF or KBC Peel Hunt (as the case may be) are retained as nominated adviser and/or broker to the Company, the relevant shareholders have agreed that any sale or disposal of Ordinary Shares will be effected through KBC Peel Hunt, provided that KBC Peel Hunt has been able to procure purchasers for the Ordinary Shares on a best execution basis within 30 days of it being requested to do so.

### 13. Related party arrangements

SLR Consulting Limited is a wholly owned subsidiary of SLR Holdings Limited, of which Nishith Malde is a director. The Company engages SLR Consulting Limited on arms length terms in respect of environmental consultancy services.

Reference is also made to sections 6.9 and 12.1 of this Part VI as regards, respectively: (i) loans previously advanced to the Company by Stephen Wicks; and (ii) arrangements between the Group and Howarth.

### 14. General

14.1 The total proceeds expected to be raised by the Placing (before expenses) is £50 million. The total costs and expenses payable by the Company in connection with or incidental to the Placing and Admission are estimated to amount to approximately £2.51 million (including value added tax), including commissions of £1.75 million payable to KBC Peel Hunt Ltd.

14.2 The Placing Price of 50 pence represents a premium of 40 pence above the nominal value of 10 pence per Ordinary Share.

14.3 Dawnay Day, which is authorised and regulated by the Financial Services Authority, has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.

Dawnay Day is the Company's nominated adviser for the purposes of the AIM Rules as a result of which it has responsibilities which are owed solely to London Stock Exchange plc and are not owed to the Company or any Director or any other entity or person.

Dawnay Day is acting for the Company and (save for the responsibilities owed to London Stock Exchange plc referred to above) will not be responsible to any person other than Inland for providing the protections afforded to its clients or advising any such person in connection with the Placing and Admission.

14.4 KBC Peel Hunt, which is authorised and regulated by the Financial Services Authority, has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.

KBC Peel Hunt is acting exclusively for the Company, as broker, in relation to the Placing and Admission and will not be responsible to any person other than Inland for providing the protections afforded to its clients or advising any such person in connection with the Placing and Admission and the contents of this document.

14.5 Grant Thornton UK LLP has given and not withdrawn its written consent to the inclusion in this document of references to its name and the inclusion of its reports in the form and context in which they appear.

Grant Thornton UK LLP is acting for the Company and Dawnay Day in relation to the proposals described in this document and is not advising any other person in relation to them. Grant Thornton UK LLP will not be responsible to any person other than Inland for providing the protections afforded to its customers or advising any such person on the proposals.

14.6 As at the date of this document:

14.6.1 Save for land purchases and an increase in the portfolio of quoted investments in line with the business strategy described in section 4 of Part III of this document there has been no significant change in the trading or financial position of the Company since 31 December 2006;

14.6.2 the Directors are unaware of any exceptional factors which have influenced the Group's activities;

14.6.3 the Directors are not aware of any patents or other intellectual property rights, licences or particular patents, industrial, commercial or financial contracts which are or may be of fundamental importance to the Group's business; and

- 14.7 Save as described in this section 14 or detailed elsewhere in this document, no person (excluding professional advisers as stated in this document and trade suppliers) has received, directly or indirectly, from the Company within the twelve months preceding the Company's application for Admission, and no persons have entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission:
- 14.7.1 fees totalling £10,000 or more;
  - 14.7.2 securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
  - 14.7.3 any other benefit with a value of £10,000 or more at the date of Admission.
- 14.8 The financial information set out in this document does not constitute statutory accounts within the meaning of section 240 of the Act. Statutory accounts have been delivered to the registrar of companies for the period ended 30 June 2006. Auditors' reports in respect of those statutory accounts have been made under section 235 of the Act and such report was an unqualified report and did not contain any statement under section 237(2) or (3) of the Act.
- 14.9 Where information in this document has been sourced from third parties, this information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by the relevant third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 14.10 Each member of the Group currently has an accounting reference date of 30 June.
- 14.11 There are no specified dates on which entitlements to dividends or interest payable by the Company arise. The Company has not made any distributions since incorporation.
- 14.12 The arrangements for payment of the Placing Shares are set out in the placing letters referred to in the Placing Agreement. Share certificates will be sent to successful applicants by first class post at the risk of the applicant within 7 days of completion of the Placing. In respect of uncertificated shares it is expected that the relevant CREST stock accounts will be credited on 3 April 2007.

Dated 29 March 2007

## PART VII

### Definitions

The following definitions shall apply throughout this Document and the accompanying Form of Proxy unless the context otherwise requires:

“2006 Act”	the Companies Act 2006
“Act”	the Companies Act 1985, as amended
“Admission”	admission of the Enlarged Share Capital to trading on AIM
“AIM”	the market of the same name operated by the London Stock Exchange
“AIM Rules”	the rules of the London Stock Exchange governing AIM
“Articles”	the Company’s articles of association as adopted by special resolution on 19 March 2007
“Business Day”	a day other than a Saturday or Sunday or a public holiday in England and Wales
“Chief Executive”	the chief executive of the Company, currently being Stephen Wicks
“Combined Code”	the Combined Code of Corporate Governance published by the Financial Reporting Council in July 2003
“Company” or “Inland”	Inland plc, a company registered in England and Wales with number 5482990
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo is the Operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form
“CRESTCo”	CRESTCo Limited
“CREST Regulations”	the Uncertified Securities Regulations 2001 (SI 2001 No.3755)
“Dawnay Day” or “DDCF”	Dawnay, Day Corporate Finance Limited, nominated advisers to the Company whose office is situated at 15-17 Grosvenor Gardens, London, SW1W 0BD
“Directors” or “Board”	the Executive Directors and the Non Executive Directors
“EGM”	the extraordinary general meeting of the Company held on 19 March 2007
“Enlarged Share Capital”	the issued ordinary share capital of the Company, as enlarged following the issue of the Placing Shares
“Executive Director”	a director of the Company holding executive office, currently Stephen Wicks and Nishith Malde
“FSA”	the Financial Services Authority
“FSMA”	The Financial Services and Markets Act 2000, as amended
“Howarth Homes” or “Howarth”	Howarth Homes plc, a company registered in England and Wales with number 2274807
“Incentive Schemes”	the Incentive Share Scheme and the Share Option Scheme

“Incentive Share Scheme”	the provisions relating to the Incentive Shares contained in the Articles
“Incentive Shares”	redeemable incentive shares of £1.00 each created by special resolution dated 19 March 2007
“Inland Group” or “Group”	the Company and its subsidiaries
“Inland Homes”	Inland Homes Limited, a wholly owned subsidiary of the Company, registered in England and Wales with registered number 5482989
“KBC Peel Hunt” or “Broker”	KBC Peel Hunt Ltd.
“London Stock Exchange”	London Stock Exchange plc
“Model Code”	the model code on directors’ employees’ share dealings
“Non Executive Director”	a director of the Company not holding executive office, currently Terry Roydon and Simon Bennett
“Official List”	the Official List of the UK Listing Authority of the FSA as the competent authority under the FSMA
“Options”	options to acquire new Ordinary Shares pursuant to the Share Option Scheme
“Option holders”	means the holders of Options
“Ordinary Shares”	ordinary shares of 10 pence each in the share capital of the Company
“Placing”	means the placing of the Placing Shares at the Placing Price by KBC Peel Hunt as agent for the Company, pursuant to the Placing Agreement
“Placing Agreement”	The conditional agreement dated 28 March between (1) the Company (2) Dawnay Day (3) KBC Peel Hunt Limited and (4) the Directors relating to the Placing, further details of which are contained in section 12.2 of Part VI of this Document
“Placing Price”	50 pence per Ordinary Share
“Placing Shares”	100,000,000 new Ordinary Shares, which have been conditionally placed by KBC Peel Hunt pursuant to the Placing Agreement
“PLUS”	PLUS Markets Group plc is a public company (ticker: PMK) based in the City of London which owns and operates an independent equity market, known as “PLUS” or “the PLUS market”. It is fully authorised and regulated by the Financial Services Authority and is currently applying to its regulator for Recognised Investment Exchange (“RIE”) status
“Remuneration Committee”	the remuneration committee of the Board
“Share Option Scheme”	the unapproved share option scheme adopted by the Board on 8 March 2007
“Shareholders”	the shareholders of the Company
“UK” or “United Kingdom”	United Kingdom of Great Britain and Northern Ireland
“USA” or “US”	United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all other areas subject to its jurisdiction