*brownfield regeneration specialists and housebuilders*

**INLAND HOMES PLC**

**(‘Inland Homes’, ‘Inland’ or the ‘Group’)**

**Preliminary Results for the year ended 30 June 2013**

# *Strong performance delivers record annual results*

Inland Homes, the strategic land developer with a growing housebuilding business, today announces its preliminary results for the year ended 30 June 2013.

| | **2013** | 2012 |
|---|---|---|
| Revenue | **£31.1m** | £6.1m |
| Operating profit | **£5.1m** | £1.1m |
| Profit before tax | **£5.2m** | £1.6m |
| Year-end cash balance | **£12.2m** | £0.6m |
| Net asset value per share[1] | **28.7p** | 27.0p |
| Earnings per share | **1.98p** | 0.41p |
| Total dividend per share | **0.27p** | 0.067p |

[1] Excludes the Group’s interest in Drayton Garden Village Limited (‘DGVL’) from which Inland expects to derive a further 5.0p per share

**Group Highlights:**

- Record results reflect combination of increased plot sales to developers and growing focus on housebuilding activity in order to maximise value of the Group’s land bank
- Significant increase in housebuilding activity with 55 (2012: 9) homes sold generating revenue of £11.4 million (2012: £1.7 million)
- Strong developer and housing association demand for consented land; 375 (2012: nil) plots sold generating revenue of £16.4 million with DGVL separately selling a further 76 (2012: 116) plots realising revenue of £5.3 million (2012: £6.7 million)
- Land bank increased to 2,306 plots with 1,057 consented
- Planning permission granted at Carters Quay, Poole and St John’s Hospital, Chelmsford
- Strengthened capital base through successful fund raisings totalling £13.7 million
- Four fold increased dividend reflects balance sheet strength

**Post year end highlights:**

- DGVL exchanged contracts to sell 107 apartments at Drayton Garden Village (‘DGV’) for £21 million on a turnkey package, which the group is managing on behalf of DGVL
- Purchased office to residential conversion site in Gerrards Cross, Buckinghamshire

**Outlook:**

- Group’s housebuilding activity has had a strong start to the year; forward sales (Inland and DGVL) of £46.3 million secured and 486 units under construction; expect significant increase in number of homes sold
- Experiencing robust demand for consented land
- Market supported by Government initiatives; Group well placed to exploit opportunities

**Stephen Wicks, Chief Executive, commented:**

*“It has been a very good year for Inland. Our strategic move to increase the Group’s housebuilding activity has proved to have been well timed, while we continue to make progress in growing our land bank in terms of both size and quality.*

*The Group is well financed and with market conditions in our favour, we are confident of making further progress throughout the course of this financial year and beyond.”*

| **Enquiries:** | | |
|---|---|---|
| **Inland Homes plc**<br>Stephen Wicks, Chief Executive<br>Nishith Malde, Finance Director<br>Tel: 01494 762450<br>www.inlandplc.com<br>AIM: Ticker: INL | **finnCap**<br>*Nominated Adviser & Broker*<br>Corporate Finance: Matthew Robinson or Rose Herbert<br>Corporate Broking: Simon Starr<br>Tel: 020 7220 0500 | **Blythe Weigh Communications**<br>*IR & media relations*<br>Paul Weigh: Mob: 07989 129658<br>Halimah Hussain: Mob: 07725 978141<br>or<br>Tel: 020 7138 3204 |

**Editor's Note:**

**Inland Homes plc's** strategy is to identify brownfield land in the South of England where it considers it to hold excellent potential for residential and mixed use development, including commercial space. The Group then seeks to enhance its land value by obtaining planning permission before selling consented land onto developers. It also develops some of its plots for sale.

## CHAIRMAN'S STATEMENT

**A strong performance in improving market conditions**
I am delighted to report a very strong set of results for Inland Homes, driven by an increased number of plots sold to other developers as well as a significant contribution from the development and sale of new homes built by the Group.

We are conscious that we work in an extremely cyclical industry and it is therefore crucial that we are 'in the right place at the right time'. Our strategy to extract the maximum value from our land bank by building out more developments ourselves appears to have been well timed given the improvement in market conditions and the increasing volume of housing transactions recorded in the UK.

As a result of this increased activity, total Group revenue, which includes revenue from land and house sales, rental income and project management fees, increased by over 400 per cent to £31.12 million (2012: £6.11 million). Gross profit was nearly doubled to £7.69 million (2012: £3.89 million) with a margin of 24.7 per cent and operating profit was up over 370 per cent at £5.08 million (2012: £1.06 million). Profit before tax was up over 225 per cent at £5.21 million (2012: £1.60 million) translating into a near fivefold increase in earnings per share of 1.98p (2012: 0.41p).

Net asset value per share increased to 28.7p (2012: 27.0p). These financial results exclude the future value from the development services provided by the Group to DGVL where Inland's profit share is expected to increase from the current level of 74 per cent to 90 per cent by the end of March 2014 once the outstanding deferred consideration of £6.7 million for DGV has been paid. The Board anticipates that Inland Homes' share of the future profits from DGV should be in the order of £10.1 million net of tax which is equivalent to 5.0p per ordinary share. Shareholders will appreciate that the unrealised profit, resulting from the difference between the market and carrying values of the Group's land bank, is significant. The Group finished the period with cash reserves of £12.2 million, with net gearing reduced to 6.7 per cent (2012: 13.0 per cent).

I am pleased to report that during the period DGVL sold 76 plots for a total consideration of £5.3 million.

**Successful fund raisings strengthen capital base**
During the year the Group strengthened its financial position through two successful fund raisings, the first raised £8.94 million net of costs through the placement of approximately 9.35 million Zero Dividend Preference shares ("ZDPs"), which have a redemption yield of 7.3 per cent per annum and will be repaid on or before 10 April 2019 and the second, in May 2013, raised £4.73 million net of costs through a placing of approximately 18.3 million ordinary shares. These fund raisings have increased the Group's financial flexibility and have strengthened the Group's longer term capital base.

**Increased dividend reflects progressive dividend policy**
At the time of our 2012 results, the Board announced its intention to adopt a progressive dividend policy. In line with this policy, and reflecting these strong results, the Board is recommending a fourfold increase in the final proposed dividend of 0.27p (2012: 0.067p) per share if approved by shareholders at the Annual General Meeting which is expected to be called for Thursday 5 December 2013. The final dividend will be paid on 6 January 2014 to shareholders on the register at the close of business on 6 December 2013. The ex-dividend date will be 4 December 2013.

**Consistent progress against clear strategic goals**
Our strategy going forward is demanding but we believe achievable and is:

1. To increase the size of our land bank year on year;
2. Continue the core activity of plot sales to other developers to generate cash to fund our operations;
3. Maximise the value from our land bank by expanding our housebuilding programme; and
4. Maintain borrowings at a relatively low level through a strong focus on cash management and vendor financing.

The increase in housebuilding will lead to an increase in the Group's net gearing because of the increased working capital requirements that this entails. However, this is envisaged to reduce over time as legal completions of unit sales and land disposals are achieved and the Board is focussed on keeping net gearing under control. In this regard the Group has a good level of forward sales on both residential homes and development land with planning consent.

The number of residential plots in the land bank of the Group and those separately held by DGVL is currently as follows:

| | |
|---|---|
| Owned with planning consent | 753 |
| Drayton Garden Village | 311 |
| Owned or contracted without planning consent | 300 |
| Plots controlled or terms agreed | 942 |
| | |
| Total plots | 2,306 |

**Well positioned to exploit market opportunities**
Inland Homes currently has 348 homes under construction on seven sites and a further 138 units are being developed by DGVL. The Group is managing the programme of developing some of Drayton Garden Village and this should further enhance the returns we expect from this project.

Our housebuilding activity has had a strong start to the new financial year with 34 reservations across three active sites since 1 July 2013. Forward sales for both Inland Homes and DGVL either agreed or contracted currently stands at £46.3 million.

The Board believes that, for the foreseeable future, the market for new homes will remain strong in the areas in which we operate, particularly in the price range of £160,000 to £400,000 where sales are supported by the Government's "Help to Buy" scheme and the continuing fundamental shortfall of housing availability in the country. As such, we would expect a substantial increase in the number of units sold in the current financial year when compared with 2013.

In addition, we have a strong land pipeline with a number of attractive sites in London and the south east already secured and are experiencing robust demand for land with planning consent.

Inland Homes has had a highly productive financial year. The Group is well positioned to grow its land bank whilst our growing housebuilding activity will help to ensure we maximise the profit potential from the Group's asset base. Inland is well placed to meet the challenges and opportunities presented by the market and we look to the future with confidence.

**Terry Roydon**
**Chairman**
**3 October 2013**

## GROUP INCOME STATEMENT
## For the year ended 30 June 2013

| Continuing operations | Note | 2013 Unaudited £000 | 2012 Audited £000 |
|---|---|---|---|
| Revenue | 2 | **31,116** | 6,110 |
| Cost of sales | 2 | **(23,431)** | (2,224) |
| **Gross profit** | 2 | **7,685** | 3,886 |
| Administrative expenses | 2 | **(2,652)** | (2,679) |
| Profit/(loss) on investments | 2 | **48** | (145) |
| **Operating profit** | 2 | **5,081** | 1,062 |
| Finance cost – interest expense | | **(1,419)** | (698) |
| Finance cost – notional interest | | **(270)** | (115) |
| Finance income – notional interest | | **226** | 237 |
| Finance income – interest receivable and similar income | | **83** | 87 |
| | | **3,701** | 573 |
| Share of profit from Howarth (former associate) | | **330** | 307 |
| Reverse impairment of investment in Howarth (former associate) | | — | 500 |
| Profit on disposal of investment in Howarth (former associate) | | **292** | — |
| Share of profit of joint venture | | **889** | 217 |
| Profit before tax | 2 | **5,212** | 1,597 |
| Income tax | 3 | **(1,559)** | (838) |
| **Profit for the year** | | **3,653** | 759 |
| **Attributable to:** | | | |
| Equity holders of the Company | | **3,653** | 759 |
| **Earnings per share for profit attributable to the equity holders of the Company during the year** | | | |
| – basic | 4 | **1.98p** | 0.41p |
| – diluted | 4 | **1.97p** | 0.41p |

## GROUP STATEMENT OF COMPREHENSIVE INCOME
## For the year ended 30 June 2013

| | Note | 2013 Unaudited £000 | 2012 Audited £000 |
|---|---|---|---|
| Profit for the year | | **3,653** | 759 |
| Other comprehensive income | | — | — |
| **Total comprehensive income for the year** | | **3,653** | 759 |

## GROUP STATEMENT OF FINANCIAL POSITION
## At 30 June 2013

| | Note | 2013 Unaudited £000 | 2012 Audited £000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investment property | | **7,681** | 8,801 |
| Property, plant and equipment | | **173** | 68 |
| Investments | | **1,363** | 1,114 |
| Joint ventures | | **243** | 2,563 |
| Investment in Howarth (former associate) | | — | 822 |
| Receivables due in more than one year | | **55** | 55 |
| Deferred tax | | **3,414** | 4,275 |
| **Total non-current assets** | | **12,929** | 17,698 |
| **Current assets** | | | |
| Inventories | | **44,736** | 43,776 |
| Trade and other receivables | | **15,085** | 2,632 |
| Loan to Howarth (former associate) | | **1,000** | 1,000 |
| Listed investments held for trading (carried at fair value through profit and loss) | | **1** | 1 |
| Cash and cash equivalents | | **12,154** | 575 |
| **Total current assets** | | **72,976** | 47,984 |
| **Total assets** | | **85,905** | 65,682 |
| **EQUITY** | | | |
| **Capital and reserves attributable to the Company's equity holders** | | | |
| Share capital | | **20,131** | 18,301 |
| Share premium account | | **33,695** | 30,794 |
| Treasury shares | | **(366)** | (366) |
| Special reserve | | **6,059** | 6,059 |
| Retained earnings | | **(1,789)** | (5,382) |
| **Total equity** | | **57,730** | 49,406 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Bank loans and overdrafts | | **1,613** | 1,111 |
| Other loans | | **4,710** | 5,875 |
| Trade and other payables | | **3,559** | 2,522 |
| Corporation tax | | **625** | — |
| Other financial liabilities | 6 | **7,947** | 6,768 |
| **Total current liabilities** | | **18,454** | 16,276 |
| **Non-current liabilities** | | | |
| Zero dividend preference shares | 6 | **9,721** | — |
| **Total non-current liabilities** | | **9,721** | — |
| **Total equity and liabilities** | | **85,905** | 65,682 |

## GROUP STATEMENT OF CHANGES IN EQUITY
## For the year ended 30 June 2013

| | Share capital £000 | Share premium £000 | Treasury shares £000 | Special reserve £000 | Retained earnings £000 | Total £000 |
|---|---|---|---|---|---|---|
| At 30 June 2011 (audited) | 18,301 | 45,794 | (366) | — | (15,248) | 48,481 |
| Share-based payment | — | — | — | — | 166 | 166 |
| Capital reduction | — | (15,000) | — | 6,059 | 8,941 | — |
| Transactions with owners | — | (15,000) | — | 6,059 | 9,107 | 166 |
| Total comprehensive income for the year | — | — | — | — | 759 | 759 |
| Total changes in equity | — | (15,000) | — | 6,059 | 9,866 | 925 |
| At 30 June 2012 (audited) | 18,301 | 30,794 | (366) | 6,059 | (5,382) | 49,406 |
| Share-based payment | — | — | — | — | 62 | 62 |
| Dividend payment | — | — | — | — | (122) | (122) |
| Issue of equity | 1,830 | 2,901 | — | — | — | 4,731 |
| Transactions with owners | 1,830 | 2,901 | — | — | (60) | 4,671 |
| Total comprehensive income for the year | — | — | — | — | 3,653 | 3,653 |
| Total changes in equity | 1,830 | 2,901 | — | — | 3,593 | 8,324 |
| **At 30 June 2013 (unaudited)** | **20,131** | **33,695** | **(366)** | **6,059** | **(1,789)** | **57,730** |

**GROUP STATEMENT OF CASH FLOWS**
**For the year ended 30 June 2013**

| | Note | 2013 Unaudited £000 | 2012 Audited £000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Profit for the year before tax | | **5,212** | 1,597 |
| Adjustments for: | | | |
| – depreciation | | **49** | 38 |
| – profit on disposal of property, plant and equipment | | **(9)** | — |
| – share-based compensation | | **62** | 166 |
| – fair value adjustment for movement in value of DGVL investment | | **(48)** | 145 |
| – interest expense | | **1,689** | 813 |
| – interest and similar income | | **(308)** | (324) |
| – share of profit of Howarth (former associate) | | **(330)** | (307) |
| – reverse impairment of investment in Howarth (former associate) | | — | (500) |
| – profit on disposal of investment in Howarth (former associate) | | **(292)** | — |
| – share of profit in joint venture | | **(889)** | (217) |
| Changes in working capital: | | | |
| – increase in investments | | **219** | (250) |
| – decrease/(increase) in inventories | | **161** | (19,672) |
| – (increase)/decrease in trade and other receivables | | **(12,228)** | 7,904 |
| – decrease in receivables due in more than one year | | — | 15 |
| – increase in trade and other payables | | **1,744** | 4,330 |
| **Net cash outflow from operating activities** | | **(4,968)** | (6,262) |
| **Cash flow from investing activities** | | | |
| Interest received | | **83** | 87 |
| Purchases of property, plant and equipment | | **(156)** | (30) |
| Sale of property, plant and equipment | | **11** | — |
| Distribution from joint venture | | **2,995** | — |
| Net proceeds on sale of investment in Howarth (former associate) | | **1,364** | — |
| **Net cash inflow from investing activities** | | **4,297** | 57 |
| **Cash flow from financing activities** | | | |
| Interest paid | | **(1,072)** | (677) |
| Repayment of borrowings | | **(6,531)** | — |
| New loans | | **15,244** | 4,323 |
| Equity dividends paid to ordinary shareholders | | **(122)** | — |
| Net proceeds on issue of ordinary shares | | **4,731** | — |
| Receipt of loan repayment from Howarth (former associate) | | — | 895 |
| **Net cash inflow from financing activities** | | **12,250** | 4,541 |
| **Net increase/(decrease) in cash and cash equivalents** | | **11,579** | (1,664) |
| **Net cash and cash equivalents at beginning of year** | | **575** | 2,239 |
| **Net cash and cash equivalents at the end of year** | | **12,154** | 575 |

**NOTES TO THE PRELIMINARY ANNOUNCEMENT**
**For the year ended 30 June 2013**

**1. Critical accounting estimates and judgements**

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

***Critical accounting estimates***

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

*(a) Valuation of inventories*

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

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

*(b) Income taxes*

The Group recognises tax/deferred tax assets and liabilities for anticipated tax based on estimates of when the tax/deferred tax will be paid or recovered. When the final outcome of these matters is different from the amounts initially recorded, such differences impact the period in which the determination is made. Critical accounting estimates relates to the profit forecasts used to determine the extent to which deferred tax assets are recognized from available losses.

*(c) Fair value of derivatives and other financial instruments*

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

*(d) Investment properties*

Investment properties are reviewed annually for impairment, critical accounting estimates relate to the forecasts prepared in order to assess the carrying value.

*(e) Discounting on deferred consideration of inventories*

The Group discounts deferred consideration of inventories by discounted cash flow method, the Group considers that the cost of debt capital is the most appropriate..

***Critical judgements in applying the entity's accounting policies***

*Inventories*

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

*Zero Dividend Preference Shares*

The Group has in issue Zero Dividend Preference shares which are accounted for as debt. ZDP preference shares are repayable, plus accrued interest to date, in the event of a takeover. The Directors consider that the potential early repayment meets the definition of a derivative instrument under IAS 39. However they consider that this instrument is closely related to the host contract and therefore have not accounted for the embedded derivative separately.

*Investments*

The Group has entered into an Option and Development Services Agreement (The Agreement) with DGVL. The Directors have considered the requirements of IAS 27 'Consolidated and separate financial statements' (revised 2008) and 'SIC 12 Consolidation – special purpose entities' and do not believe that the Group has the power to control DGVL. DGVL makes its own decisions regarding the development of the site even though the director of DGVL receives property advice to consider and property services from the Group. The Directors also consider that the Group does not have the decision making powers to obtain the majority of the benefits and the risks of the activities of DGVL as the shareholder of DGVL maintains control as to whether he finances the deferred land consideration payments. The key requirement in influencing Inland's profit share is the basis on which deferred consideration is satisfied. This is at the discretion of the DGVL director and hence he can improve his profit share, or allow Inland to arrange the funding. Therefore the Directors do not believe that DGVL should be consolidated within the Group's financial statements.

The Group is entitled to receive a fee for the provision of planning application services, assistance in obtaining statutory and third party consents, assistance in entering into development and construction agreements, assistance in achieving sales, assistance in engaging professional advisors, seeking opportunities to generate interim revenues and the potential provision of finance to DGVL in respect of the site known as Drayton Garden Village. Under the agreement the Group has the potential to earn up to 90% of the profits realised from the sale of the property over the life of the project.

Because the final decision on the financial and operational activities of DGVL resides with the director of DGVL, the Directors of Inland Homes plc do not consider that they have significant influence over DGVL and therefore DGVL is not considered to be an associate or a subsidiary undertaking.

At 30 June 2013 the funding arrangements in place for the satisfaction of deferred consideration entitled Inland to 74.4% of the profits expected to be realised from the sale of the property over the life of the project. In accordance with The Agreement, 67.44% of the total profits would be due to the Group for the provision of planning application and property management services completed at the balance sheet date and this has to be accounted for under IAS 18. 6.96% of the profits would be due to the Group for the provision of finance to DGVL and would be accounted for under IAS 39 as notional interest income.

In calculating the fee for the provision of planning application and property services to DGVL recognised in the year, under IAS 18 the Group has estimated the following:

- total profits (total expected sales less total estimated development costs to completion) to be realised from the sale of the property;

- profits would be realised over six years from 1 July 2010;

- percentage, where the stage of completion is an appropriate basis for evaluating fair value, of planning application and property services provided to DGVL as at the period end with the balance to be provided over the remaining life of the project (i.e. in future accounting periods); and

- the fair value of completed service components at the year end.

During the year ended 30 June 2013 the Group has recognised £3.00m (2012: £3.65m) in revenue within the Group Income Statement for such services to DGVL.

In calculating the fee for the provision of finance to DGVL, under IAS 39 the Group has estimated the following:

- total profits (total expected sales less total estimated development costs to completion) to be realised from the sale of the property; and

- profits would be realised over six years from 1 July 2010.

Under IAS 39 the Group has a choice as to how to account for the asset. The Directors consider the most appropriate classification for the asset to be 'loans and receivables' due to the underlying asset being a 'non derivative' financial asset with fixed or determinable payments. The effective interest rate method has been applied in calculating the income in the period.

During the year ended 30 June 2013 the Group has recognised £0.25m (2012: £0.24m) within notional interest income in the Group Income Statement in respect of such fees.

The table below shows the revenue and notional interest recognised by Inland under IAS 18 and IAS 39 in comparison to the results recognised by DGVL on its sales under UK GAAP:

| | **2013 Unaudited £000** | 2012 Audited £000 | Cumulative Unaudited £000 |
|---|---|---|---|
| Total revenue and notional interest recognized by Inland under IAS 18 and 39 | **3,252** | 3,885 | 11,154 |
| Results in DGVL (unaudited) | | | |
| Residential and commercial plots sold | **76** | 118 | 342 |
| Revenue (£000) | **5,300** | 8,460 | 24,846 |
| Gross profit (£000) as per DGVL's unaudited management accounts | **1,668** | 2,801 | 10,098 |
| 74.4% of gross profit (£000) | **1,241** | 2,084 | 7,513 |

The accounting policy for revenue recognition by DGVL is as follows:

Turnover comprises the sale of land acquired for resale, the sale of equipment and materials and amounts receivable by the company in respect of other services rendered during the period excluding value added tax. Turnover in respect of the sale of land is recognised at the point of completion, when the title passes. Turnover from other services is recognised as the service is delivered. Turnover on the sale of equipment is recognised on the completion of the sale.

2. **Income and segmental analysis**

The Group generates income by way of land sales. It also generates income from housebuilding, fees from planning and property management services and other related services. These operating segments are monitored and strategic decisions are made on the basis of segment operating results. The segmental analysis of operations is as follows:

***Segmental analysis by activity***

| 2012 (audited) | Revenue £000 | Cost of sales £000 | Gross profit £000 | Admin costs £000 | Other £000 | Operating profit £000 | Finance (cost)/ income £000 | Other £000 | Profit before tax £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Segment** | | | | | | | | | |
| Land sales | — | (554) | **(554)** | — | — | **(554)** | (115) | — | **(669)** |
| Housebuilding | 1,708 | (1,475) | **233** | — | — | **233** | — | — | **233** |
| Fee income | 3,885 | (166) | **3,719** | — | — | **3,719** | 237 | — | **3,956** |
| Rental income | 322 | (29) | **293** | — | — | **293** | — | — | **293** |
| Other property sale | 195 | — | **195** | — | — | **195** | — | — | **195** |
| Other | | | | | | | | | |
| -Loss on investments | — | — | — | — | (145) | **(145)** | — | — | **(145)** |
| -Share of profit of associate | — | — | — | — | — | — | — | 307 | **307** |
| -Reverse impairment of investment in associate | — | — | — | — | — | — | — | 500 | **500** |
| -Share of profit of joint venture | — | — | — | — | — | — | — | 217 | **217** |
| -Unallocated | — | — | — | (2,679) | — | **(2,679)** | (611) | — | **(3,290)** |
| | **6,110** | **(2,224)** | **3,886** | **(2,679)** | **(145)** | **1,062** | **(489)** | **1,024** | **1,597** |

| **2013 (unaudited)** | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Segment** | | | | | | | | | |
| Land sales | 16,353 | (14,400) | **1,953** | — | — | **1,953** | (1,054) | — | **899** |
| Housebuilding | 11,426 | (9,020) | **2,406** | — | — | **2,406** | (288) | — | **2,118** |
| Fee income | 3,027 | — | **3,027** | — | — | **3,027** | 254 | — | **3,281** |
| Rental income | 300 | (11) | **289** | — | — | **289** | — | — | **289** |
| Other property sale | 10 | — | **10** | — | — | **10** | — | — | **10** |
| Other | | | | | | | | | |
| - Profit/(loss) on investments | — | — | — | — | 48 | **48** | — | — | **48** |
| - Share of profit of associate | — | — | — | — | — | — | — | 330 | **330** |
| - Profit on sale of investment in associate | — | — | — | — | — | — | — | 292 | **292** |
| - Share of profit of joint venture | — | — | — | — | — | — | — | 889 | **889** |
| - Unallocated | — | — | — | (2,652) | — | **(2,652)** | (292) | — | **(2,944)** |
| | **31,116** | **(23,431)** | **7,685** | **(2,652)** | **48** | **5,081** | **(1,380)** | **1,511** | **5,212** |

All activities arose solely in the United Kingdom.

| **Transactions with customers making up 10% or more of revenue** | **2013 Unaudited £000** | 2012 Audited £000 |
|---|---|---|
| Land sales customer 1 | **3,135** | — |
| Land sales customer 2 | **7,410** | — |
| Land sales customer 3 | **3,330** | — |
| Fee income customer 4 | — | 3,452 |
| | **13,875** | 3,452 |

| | **2013 Unaudited £000** | 2012 Audited £000 |
|---|---|---|
| **Segment assets** | | |
| Land: | | |
| Non-current assets – investment property | **7,681** | 8,801 |
| Non-current assets – deferred tax | **3,159** | 4,275 |
| Current assets – inventories | **37,221** | 35,901 |
| Current assets – other | **332** | 35 |
| | **48,393** | 49,012 |
| Housebuilding: | | |
| Non-current assets – deposit match debtor | **55** | 55 |
| Non-current assets – deferred tax | **9** | — |
| Current assets – inventories | **7,515** | 7,875 |
| Current assets – other | **498** | 9 |
| | **8,077** | 7,939 |

**Income and segmental analysis continued**

***Segmental analysis by activity continued***

| | | |
|---|---|---|
| Fees: | | |
| Non-current assets – investment | **1,363** | 1,114 |
| Current assets – debtor | **12,870** | 1,507 |
| Current assets – other | **808** | 808 |
| | **15,041** | 3,429 |
| Other: | | |
| Non-current assets – joint venture | **243** | 3,385 |
| Non-current assets – other | **173** | 68 |
| Non-current assets – deferred tax | **246** | — |
| Current assets – loan to associate | **1,000** | 1,000 |
| Current assets – other | **578** | 274 |
| Cash | **12,154** | 575 |
| | **14,394** | 5,302 |
| **Total segmental and entity assets** | **85,905** | 65,682 |

| | **2013 Unaudited £000** | 2012 Audited £000 |
|---|---|---|
| **Segment liabilities** | | |
| Land: | | |
| Current liabilities – trade creditors | **851** | 460 |
| Current liabilities – loans | **832** | 5,875 |
| Current liabilities – other | **1,056** | |
| Current liabilities – purchase consideration | **7,947** | 6,768 |
| | **10,686** | 13,103 |
| Housebuilding: | | |
| Current liabilities – trade creditors | **1,216** | 943 |
| Current liabilities – other loans | **3,878** | — |
| Current liabilities – bank loans | **1,613** | 1,111 |
| Current liabilities – other | **363** | — |
| | **7,070** | 2,054 |
| Fees: | | |
| Current liabilities – trade creditors | — | 45 |
| Current liabilities – other creditors | **200** | 250 |
| | **200** | 295 |
| Other: | | |
| Current liabilities – trade creditors | **65** | 88 |
| Current liabilities – other creditors | **433** | 736 |
| Non-current liabilities – zero dividend preference shares | **9,721** | — |
| | **10,219** | 824 |
| **Total segmental and entity liabilities** | **28,175** | 16,276 |

## 3. Income tax

| | **2013 Unaudited £000** | 2012 Audited £000 |
|---|---|---|
| Tax charge on associate and joint venture profits | **73** | 137 |
| Current tax | **625** | — |
| Deferred tax charge due to change of corporation tax rate | — | 382 |
| Deferred tax charge | **861** | 319 |
| | **1,559** | 838 |

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:

| | **2013 Unaudited £000** | 2012 Audited £000 |
|---|---|---|
| Profit before tax | **5,212** | 1,597 |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24% (2012: 26%) | **1,251** | 415 |
| Expenses not deductible for tax purposes | **122** | (77) |
| Profit on disposal of associate | **(207)** | — |
| Other temporary differences | **9** | 126 |
| Utilisation of tax losses | **(554)** | (327) |
| Difference between capital allowances and depreciation | **4** | (1) |
| Tax charge | **625** | 136 |

**4. Earnings and net asset value per share**

***Basic and diluted EPS***

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

| | **2013 Unaudited** | 2012 Audited |
|---|---|---|
| Profit attributable to equity holders of the Company (£000) | **3,653** | 759 |
| Net assets attributable to equity holders of the Company (£000) | **57, 730** | 49,406 |
| Weighted average number of ordinary shares in issue (000) | **184,860** | 182,999 |
| Dilutive effect of options (000) | **872** | 51 |
| Weighted average number of ordinary shares used in determining diluted EPS (000) | **185,732** | 183,050 |
| Basic earnings per share in pence | **1.98p** | 0.41p |
| Diluted earnings per share in pence | **1.97p** | 0.41p |
| Shares in issue (000) | **201,299** | 182,999 |
| Net asset value per share in pence | **28.68p** | 27.00p |

**5. Deferred tax**

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

| | £000 |
|---|---|
| At 1 July 2012 (audited) | 4,275 |
| Income statement charge | (861) |
| **At 30 June 2013 (unaudited)** | **3,414** |

The movement in deferred tax assets is as follows:

| | Accelerated tax depreciation £000 | Losses £000 | Other £000 | Total £000 |
|---|---|---|---|---|
| At 1 July 2012 (audited) | (3) | 3,407 | 871 | 4,275 |
| Charged to income statement | 3 | (771) | (93) | (861) |
| **At 30 June 2013 (unaudited)** | **—** | **2,636** | **778** | **3,414** |

The deferred tax asset is recoverable as follows:

| | **2013 Unaudited £000** | 2012 Audited £000 |
|---|---|---|
| Deferred tax asset to be recovered after twelve months | **2,512** | 2,724 |

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

**6. Other financial liabilities**

| | **2013 Unaudited £000** | 2012 Audited £000 |
|---|---|---|
| Purchase consideration on inventories falling due within one year | **7,947** | 6,768 |
| Zero dividend preference shares | **9,721** | — |
| | **17,668** | 6,768 |

During the year the Group's subsidiary, Inland ZDP PLC issued 9,349,900 zero dividend preference (ZDP) shares of 10p each for a total cash consideration of £9.38m. The ZDP shares have a redemption yield of 7.3% per annum and will be repaid on or before 10 April 2019.

**7. Contingencies**

The Group has the following contingent liabilities as at 30 June 2013:

A subsidiary undertaking, Poole Investments plc, ceased to participate in its operating subsidiary's pension scheme when it disposed of former subsidiaries in May 2004. The Scheme's principal employer, Pilkington's Tiles Limited went into administration on 14 June 2010 and as a result Poole may be liable for a share of the cost of securing the liabilities of the Scheme pertaining to its two former employees should there be a deficit on the Scheme's fund. The Directors consider that, as at the balance sheet date, material uncertainty exists over the basis and calculation of any obligation that may fall due to Poole. Advice is being sort to clarify the Company's position. A provision has therefore not been made in the financial statements as the basis of any provision cannot be reliably established.

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

**8. Publication of non-statutory accounts**

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The Group Income Statement, the Group Statement of Comprehensive Income, the Group Statement of Financial Position at 30 June 2013, the Group Statement of Changes in Equity and the Group Statement of Cash Flows and associated notes for the year then ended have been extracted from the Group's financial statements. Those financial statements have not yet been delivered to the Registrar, nor have the auditors reported on them.

This statement is not being posted to shareholders. The Annual Report and Financial Statements will be posted to shareholders shortly. A copy will also be available on the Company's website, www.inlandplc.com in due course. Further copies are available on request to the Company Secretary at Inland Homes plc.