

**INLAND PLC**

**CONSOLIDATED FINANCIAL  
STATEMENTS**

**FOR THE PERIOD ENDED**

**30 JUNE 2006**

Company no: 5482990

# INLAND PLC

## COMPANY INFORMATION

For the period ended 30 June 2006

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Company registration number: 5482990

Registered office: Trinity Court  
Batchworth Island  
Church Street  
Rickmansworth  
Hertfordshire  
WD3 1RT

Directors: S Wicks  
N Malde

Secretary: N Malde

Auditor: Grant Thornton UK LLP  
Registered Auditors  
Chartered Accountants  
Churchill House  
Chalvey Road East  
Slough  
Berkshire  
SL1 2LS

Bankers: Royal Bank of Scotland  
St Albans Office  
3rd Floor  
Building 1  
Centrium  
Griffiths Way  
St Albans  
Hertfordshire  
AL1 2RD

Solicitors: GCL Solicitors  
Connaught House  
Alexandra Terrace  
Guildford  
Surrey  
GU1 3DA

# INLAND PLC

## FINANCIAL STATEMENTS

For the period ended 30 June 2006

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# INLAND PLC

## REPORT OF THE DIRECTORS

For the period ended 30 June 2006

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The directors present their report together with the financial statements for the period ended 30 June 2006.

### **Principal activity**

The company was incorporated on 16 June 2005 as Inland Limited. On 12 April 2006 the company re-registered as Inland PLC. Since incorporation the principal activity of the company and its subsidiaries (together called the group) is to acquire residential and mixed use sites and seek planning consent for development.

### **Business review**

The group commenced trading on the 26th July 2005. During the period the group acquired four sites, the first a former coach depot in Uxbridge, Middlesex received consent for 12 houses and flats in June 2006. The second, a former lorry park and garden site in Beaconsfield, Buckinghamshire, received consent for 12 houses and a small office building in September 2006.

Since the period end the group has secured a further 6 sites with potential for over 700 residential units and some commercial development. Of particular note was the purchase of 24.5 acres of land in Farnborough, Hampshire from Defence Estates. This site is allocated for a large scale mixed use development and the group is now preparing a master plan for submission to the local authority.

The planning system continues to deteriorate with far fewer new homes being built than are required to satisfy demand. This means the demand for land with planning permission in prime areas remains very strong due to lack of supply. Whilst this is favourable to our business in some respects the length of time and the uncertainties of the current planning system is completely unacceptable and the whole process is in desperate need of a radical overhaul!

It is of great credit to the tenacity and skill of our land team that we have started to receive our first consents within 12 months from commencement of trading.

The group's capital base has been increased further after the period end by raising £10,265,218 of equity from private and institutional investors.

The Directors are very pleased with the progress that the group has made in such a short period of time and believe that Inland is well placed to become a major force in the residential development market in southern England.

The company also invested £200,000 in Howarth Homes PLC ("Howarth"), a house builder operating in North West London. It also subscribed for £800,000 of convertible secured loan notes in Howarth and has the option to convert these loan notes to ordinary shares enabling the company to increase its equity interest in Howarth to 30% of the enlarged issued share capital.

### **Financial risk management objectives and policies**

All potential areas of financial risk are regularly monitored and reviewed by directors and management. Any preventative or corrective measures are taken as necessary.

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

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

# INLAND PLC

## REPORT OF THE DIRECTORS

For the period ended 30 June 2006

All transactions in derivatives are undertaken to manage the risks arising from underlying business activities and no transactions of a speculative nature are undertaken.

The main risks arising from the company's financial instruments are liquidity risk, interest rate risk, and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below.

### *Liquidity risk*

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

Short-term flexibility is achieved by overdraft facilities.

### *Interest rate risk*

The group finances its operations through a mixture of retained profits and bank borrowings. The group exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities.

### *Credit risk*

The group's principal financial assets is cash. The credit risk associated with cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies.

## **Results and dividends**

The audited financial statements for the period ended 30 June 2006 are set out on pages 6 to 20. The group's loss for the financial period was £506,327 and this has been debited to reserves.

The directors do not recommend the payment of a dividend to ordinary shareholders.

## **Directors and their interests**

The directors of the company and the date of their appointment is listed below.

The interests of the directors and their families in the shares of the company as at 30 June 2006 were as follows:

	<b>As at 30 June 2006</b>
	<b>Number of £0.10</b>
	<b>Ordinary shares</b>
S Wicks (appointed 16 June 2005)	20,000,009
N Malde (appointed 16 June 2005)	8,000,000

## **Directors' responsibilities for the financial statements**

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group at the end of the period and of the profit or loss of the group for the period then ended.

# INLAND PLC

## REPORT OF THE DIRECTORS

For the period ended 30 June 2006

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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 applicable accounting standards 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 of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that as far as they are aware and at the time of approving this report:

- 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.

### **Auditor**

Grant Thornton UK LLP were appointed auditors to fill a casual vacancy in accordance with Section 388(1) of the Companies Act 1985. Special notice pursuant to section 388(3) will be given and a resolution to reappoint Grant Thornton UK LLP as auditors will be proposed at the Annual General Meeting.

ON BEHALF OF THE BOARD

N Malde  
Director

## **REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF INLAND PLC**

We have audited the financial statements of Inland PLC for the period ended 30 June 2006 which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the directors and auditor**

The directors' responsibilities for preparing the directors report and the financial statements in accordance with United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities within the directors' report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF  
INLAND PLC (CONTINUED)**

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group and parent company's affairs as at 30 June 2006 and of the group's loss for the period then ended 30 June 2006;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the director's report is consistent with the financial statements for the period ended 30 June 2006.

**GRANT THORNTON UK LLP  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS  
LONDON THAMES VALLEY OFFICE  
SLOUGH**

15 January 2007

# INLAND PLC

## PRINCIPAL ACCOUNTING POLICIES

For the period ended 30 June 2006

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### **Basis of accounting**

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

The directors have reviewed the accounting policies adopted by the group and consider them to be the most appropriate.

### **Basis of consolidation**

The group financial statements consolidate the financial statements of Inland PLC and its subsidiary undertakings.

No profit and loss account is presented for the company as provided by section 230 of the Companies Act 1985.

### **Turnover**

Turnover comprises disposal of development sites acquired for resale at point of completion, rental income and amounts receivable by the company in respect of other services rendered during the period excluding value added tax.

### **Tangible fixed assets and depreciation**

Tangible fixed assets are shown at historical cost net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life. A summary of the principal rates used is set out below:

Fixtures & fittings	- 25% reducing balance
Office and computer equipment	- 25% reducing balance

### **Investments**

Fixed asset investments are shown at cost less amounts written off. Provisions are made for permanent reductions in value.

### **Stock and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes purchase of site and legal and professional fees incurred during development prior to sale.

### **Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where the transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements. These arise from including gains and losses in different periods from those recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not discounted.

## **INLAND PLC**

### **PRINCIPAL ACCOUNTING POLICIES**

For the period ended 30 June 2006

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#### **Operating lease agreements**

The group enters into operating leases. Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

#### **Pension costs**

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefit is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are included either as accruals or prepayments in the balance sheet.

# INLAND PLC

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the period ended 30 June 2006

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	Note	2006 £
<b>Turnover</b>	<b>1</b>	-
Cost of sales		<u>(5,020)</u>
<b>Gross loss</b>		(5,020)
Administrative expenses		<u>(733,059)</u>
<b>Operating loss</b>	<b>2</b>	(738,079)
Interest receivable and similar income	<b>3</b>	40,785
Interest payable and similar charges	<b>4</b>	<u>(23,345)</u>
<b>Loss on ordinary activities before taxation</b>		(720,639)
Tax on profit on ordinary activities	<b>7</b>	<u>214,312</u>
<b>Loss on ordinary activities after taxation</b>	<b>14</b>	<u>(506,327)</u>

All of the activities of the group are classed as continuing.

The group has no recognised gains or losses other than the profit for the period as set out above.

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

# INLAND PLC

## CONSOLIDATED BALANCE SHEET

For the period ended 30 June 2006

	Note	2006 £	2006 £
<b>Fixed assets</b>			
Tangible assets	8		36,047
Investments	9		<u>1,000,000</u>
			1,036,047
<b>Current assets</b>			
Stock and work in progress	10	3,581,966	
Debtors	11	676,426	
Cash at bank		<u>815,126</u>	
		5,073,518	
<b>Creditors: Amounts falling due within one year</b>	12	<u>(2,638,391)</u>	
<b>Net current assets</b>			<u>2,435,127</u>
<b>Net assets</b>			<u>3,471,174</u>
<b>Capital and reserves</b>			
Called-up share capital	13		3,279,287
Share premium account	14		698,214
Profit and loss account	14		<u>(506,327)</u>
<b>Shareholders' funds</b>	15		<u>3,471,174</u>

The financial statements were approved by the board of directors on 15 January 2007.

S Wicks Director

N Malde Director

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

# INLAND PLC

## COMPANY BALANCE SHEET

For the period ended 30 June 2006

	Note	2006 £	2006 £
<b>Fixed assets</b>			
Investments	9		2,085,001
<b>Current assets</b>			
Debtors	11	<u>3,012,876</u>	
		3,012,876	
<b>Creditors: Amounts falling due within one year</b>	12	<u>(1,085,000)</u>	
<b>Net current assets</b>			<u>1,927,876</u>
<b>Net assets</b>			<u>4,012,877</u>
<b>Capital and reserves</b>			
Called-up share capital	14		3,279,287
Share premium account	15		698,214
Profit and loss account	15		<u>35,376</u>
<b>Shareholders' funds</b>	16		<u>4,012,877</u>

The financial statements were approved by the board of directors on 15 January 2007.

S Wicks Director

N Malde Director

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

# INLAND PLC

## CONSOLIDATED CASH FLOW STATEMENT

For the period ended 30 June 2006

	Note	2006 £
<b>Net cash outflow from operating activities</b>	<b>20</b>	(2,669,829)
<b>Returns on investment and servicing of finance</b>		
Interest received		40,785
Interest paid		<u>(15,780)</u>
<b>Net cash inflows from returns on investment and servicing of finance</b>		<u>25,005</u>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets		(42,551)
Purchase of investments		<u>(1,000,000)</u>
<b>Net cash outflow from capital expenditure and financial investment</b>		<u>(1,042,551)</u>
<b>Financing</b>		
Issue of shares		3,977,501
Receipts from borrowing		<u>525,000</u>
<b>Net cash inflow from financing</b>		<u>4,502,501</u>
<b>Increase in cash in the period</b>	<b>21</b>	<u><u>815,126</u></u>



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

# INLAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2006

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### 1 TURNOVER

The group's principal activity is to acquire residential and mixed use sites and seek planning consent for development. No sales of such sites took place in the period ended 30 June 2006.

### 2 OPERATING LOSS

Operating loss is stated after charging:

	<b>2006</b>
	<b>£</b>
Depreciation of owned tangible assets	6,505
Operating lease rentals	49,959
Auditors' remuneration	
- audit fees	<u>12,000</u>

### 3 INTEREST RECEIVABLE AND SIMILAR INCOME

	<b>2006</b>
	<b>£</b>
Interest received	35,376
Bank interest receivable	<u>5,409</u>
	<u>40,785</u>

### 4 INTEREST PAYABLE AND SIMILAR CHARGES

	<b>2006</b>
	<b>£</b>
Bank interest	2,589
Bank loan interest	15,621
Interest on director's loan	<u>5,135</u>
	<u>23,345</u>

# INLAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2006

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### 5 EMPLOYEES

The aggregate payroll costs during the financial period were as follows:

	<b>2006</b> <b>£</b>
Wages and salaries	465,710
Social security costs	47,754
Pension costs	28,833
	<hr/>
	542,297
	<hr/>

The average number of staff employed by the group during the financial period amounted to:

	<b>2006</b> <b>No</b>
Management	3
Administration	2
	<hr/>
	5
	<hr/>

### 6 DIRECTORS

Remuneration in respect of the directors was as follows:

	<b>2006</b> <b>£</b>
Aggregate emoluments	389,267
Group contributions to money purchase pension schemes	28,104
	<hr/>
	417,371
	<hr/>

#### *Pensions*

The number of directors of the company who are members of the pension scheme to which the group made contributions was one.

#### *Highest paid director*

The above amounts for remuneration include the following in respect of the highest paid director:

	<b>2006</b> <b>£</b>
Aggregate emoluments	141,667
Group contributions to money purchase pension schemes	25,000
	<hr/>
	166,667
	<hr/>

# INLAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2006

### 7 TAX ON LOSS ON ORDINARY ACTIVITIES

The tax credit represents:

	<b>2006</b>
	<b>£</b>
Deferred tax	<u>(214,312)</u>

Tax losses of approximately £715,000 are to be carried forward and utilised against profits of the same trade.

#### Factors affecting tax credit for period

The difference between the current credit for the period and the amount calculated by applying the standard rate of UK corporation tax of 30% to the loss before tax is as follows:

	<b>2006</b>
	<b>£</b>
Loss on ordinary activities before taxation	<u>(720,639)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(216,192)
Effect of:	
Expenses not deductible for tax purposes	1,880
Capital allowances for the period in excess of depreciation	(3,155)
Timing differences - pensions	8,650
Unrelieved tax losses	<u>208,817</u>
	<u>-</u>

### 8 TANGIBLE FIXED ASSETS

Group	Fixtures & fittings £	Office and computer equipment £	Total £
<b>Cost</b>			
Additions	<u>14,320</u>	<u>28,232</u>	<u>42,552</u>
At 30 June 2006	<u>14,320</u>	<u>28,232</u>	<u>42,552</u>
<b>Depreciation</b>			
Charge for period	<u>1,251</u>	<u>5,254</u>	<u>6,505</u>
At 30 June 2006	<u>1,251</u>	<u>5,254</u>	<u>6,505</u>
<b>Net book value</b>			
At 30 June 2006	<u>13,069</u>	<u>22,978</u>	<u>36,047</u>

# INLAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2006

### 9 FIXED ASSET INVESTMENTS

<b>Group</b>	<b>Investments other than loans £</b>	<b>Loans £</b>	<b>Total £</b>
<b>Cost</b>			
Additions	200,000	800,000	1,000,000
At 30 June 2006	200,000	800,000	1,000,000
<b>Net book value</b>			
At 30 June 2006	200,000	800,000	1,000,000

In December 2005, Inland PLC invested £200,000 in Howarth Homes PLC and in return received ordinary shares amounting to 10% 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% on 30 days notice between 1 October 2006 to 31 December 2008.
- b) £450,000 of these notes are convertible into 10% 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.

<b>Company</b>	<b>Investments in group undertakings £</b>	<b>Investments other than loans £</b>	<b>Loans £</b>	<b>Total £</b>
<b>Cost</b>				
Additions	1,085,001	200,000	800,000	2,085,001
At 30 June 2006	1,085,001	200,000	800,000	2,085,001
<b>Net book value</b>				
At 30 April 2006	1,085,001	200,000	800,000	2,085,001

<b>Company name</b>	<b>Country of registration</b>	<b>Principal activity</b>	<b>Holding</b>
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%

# INLAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2006

### 10 STOCK AND WORK IN PROGRESS

<b>Group</b>	<b>2006</b> <b>£</b>
Stock and work in progress	<u>3,581,966</u>

### 11 DEBTORS

	<b>Group</b> <b>2006</b> <b>£</b>	<b>Company</b> <b>2006</b> <b>£</b>
Amounts owed by group undertakings	-	2,632,876
Other debtors	427,455	380,000
Deferred tax	214,312	-
Prepayments and accrued income	34,659	-
	<u>676,426</u>	<u>3,012,876</u>

### 12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<b>Group</b> <b>2006</b> <b>£</b>	<b>Company</b> <b>2006</b> <b>£</b>
Bank loan	525,000	-
Trade creditors	91,319	-
Amount owed to subsidiary undertakings	-	1,085,000
Directors' loan	199,862	-
Other taxes and social security	15,120	-
Other creditors	1,517,500	-
Accruals and deferred income	289,591	-
	<u>2,638,391</u>	<u>1,085,000</u>

The loan of £525,000 has been used to finance the purchase of land. The land has been pledged as security against the loan amount.

### 13 DEFERRED TAX

Deferred tax asset provided for in the financial statements is set out below.

	<b>2006</b> <b>£</b>
Accelerated capital allowances	(3,155)
Other timing differences - pensions	8,650
Tax losses carried forward	<u>208,817</u>
	<u>214,312</u>

# INLAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2006

### 14 SHARE CAPITAL

	<b>2006</b> <b>£</b>
<b>Authorised share capital</b>	
100,000,000 ordinary shares of £0.10 each	<u>10,000,000</u>
<b>Allotted and called-up</b>	
32,792,870 ordinary shares of £0.10 each	<u>3,279,287</u>

#### Allotments during the period

The company made an allotment of 30,000,009 ordinary shares of £0.10 at £0.10 per share. Further allotments of 2,792,857 ordinary shares of £0.10 were made at £0.35 per share. The difference between the total consideration of £3,977,501 and the total nominal value of £3,279,287 has been credited to the share premium account (£698,214) after deducting for any costs relating to the issue of shares.

#### Allotments since the period end

Since 30 June 2006, the company issued 29,329,193 ordinary shares of 10p each for a total cash consideration of £10,265,218.

### 15 MOVEMENT ON RESERVES

<b>Group</b>	<b>Share premium account £</b>	<b>Profit and loss account £</b>
Loss for the period	-	(506,327)
Premium on allotment during the period	<u>698,214</u>	<u>-</u>
At 30 June 2006	<u>698,214</u>	<u>(506,327)</u>
<b>Company</b>	<b>Share premium account £</b>	<b>Profit and loss account £</b>
Profit for the period	-	35,376
Premium on allotment during the period	<u>698,214</u>	<u>-</u>
At 30 June 2006	<u>698,214</u>	<u>35,376</u>

# INLAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2006

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### 16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

<b>Group</b>	<b>2006</b> <b>£</b>
Loss for the financial period attributable to shareholders	(506,327)
Issue of shares	<u>3,977,501</u>
Closing shareholders' funds	<u>3,471,174</u>
<b>Company</b>	<b>2006</b> <b>£</b>
Profit for the financial period attributable to shareholders	35,376
Issue of shares	<u>3,977,501</u>
Closing shareholders' funds	<u>4,012,877</u>

### 17 CAPITAL COMMITMENTS

Neither the group nor the company had any capital commitments at 30 June 2006.

### 18 CONTINGENT ASSETS AND LIABILITIES

Neither the group nor the company had any contingent assets or liabilities at 30 June 2006.

### 19 OPERATING LEASE COMMITMENTS

The minimum annual rentals under operating leases are as follows:

<b>Group</b>	<b>2006</b> <b>Land &amp;</b> <b>Buildings</b> <b>£</b>	<b>2006</b> <b>Others</b> <b>£</b>
Expiry date		
- within two to five years	<u>40,395</u>	<u>1,116</u>

# INLAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2006

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### 20 RECONCILIATION OF OPERATING LOSS TO OPERATING CASH OUTFLOW

	<b>2006</b> £
Operating loss	(738,079)
Depreciation of tangible fixed assets	6,505
Increase in stocks	(3,581,966)
Increase in debtors	(462,114)
Increase in creditors	<u>2,105,825</u>
New cash outflow from operating activities	<u><u>(2,669,829)</u></u>

### 21 ANALYSIS OF CHANGES IN NET FUNDS

	<b>At beginning of period</b> £	<b>Cash flow</b> £	<b>At end of period</b> £
Bank loan	-	(525,000)	(525,000)
Cash at bank and in hand	<u>-</u>	<u>815,126</u>	<u>815,126</u>
	<u>-</u>	<u>290,126</u>	<u>290,126</u>

### 22 RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET FUNDS

	<b>2006</b> £
Increase in cash in the period	815,126
New bank loans and overdrafts in period	<u>(525,000)</u>
Change in net funds resulting from cash flows	<u>290,126</u>
Net funds at end of period	<u><u>290,126</u></u>

## INLAND PLC

### NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2006

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#### **23 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 debtors 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% 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 creditors 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 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 annum is payable on the loan amount due to S Wicks. No interest is payable on the loan amount due to N Malde.

#### **24 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.