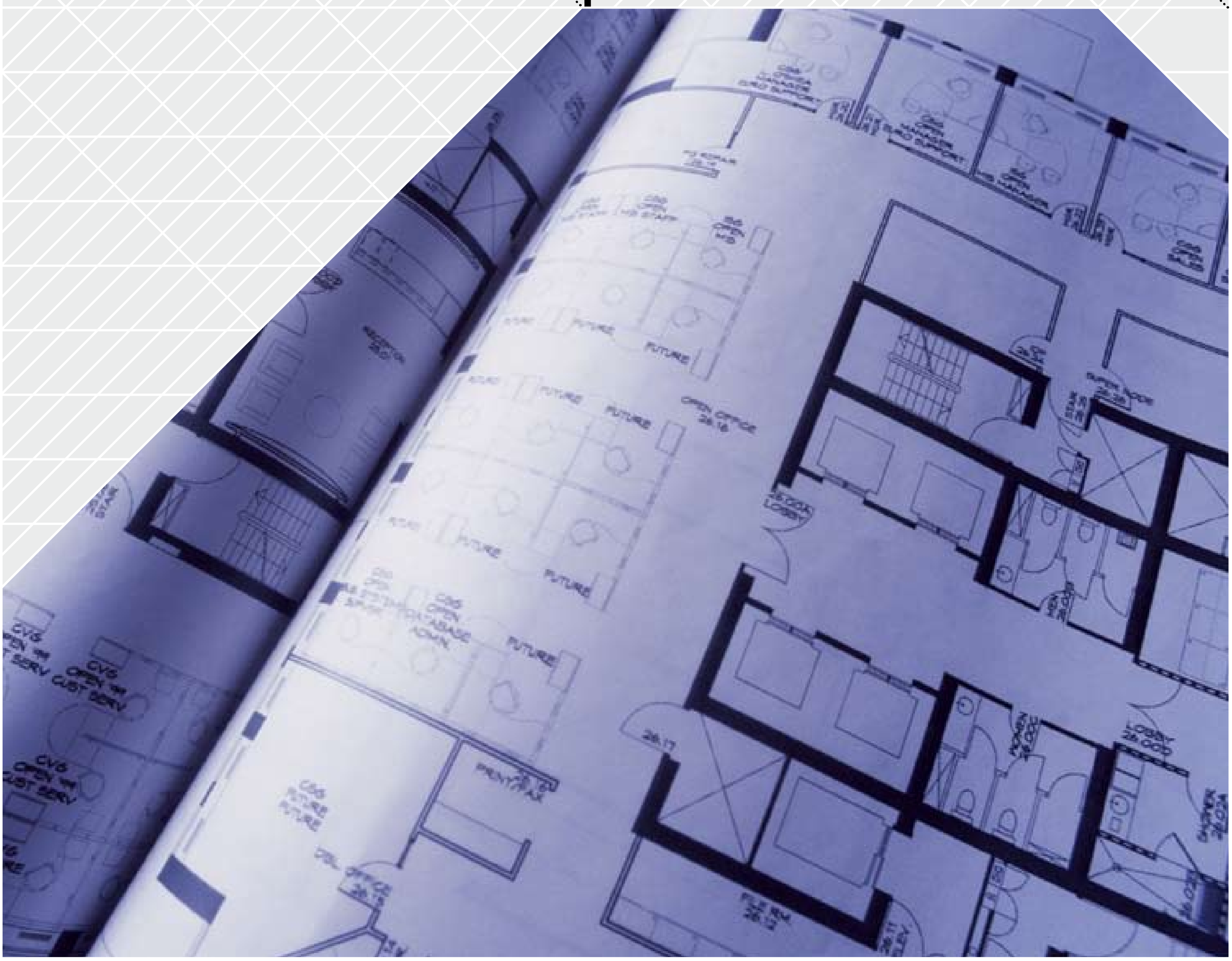
Inlandplc

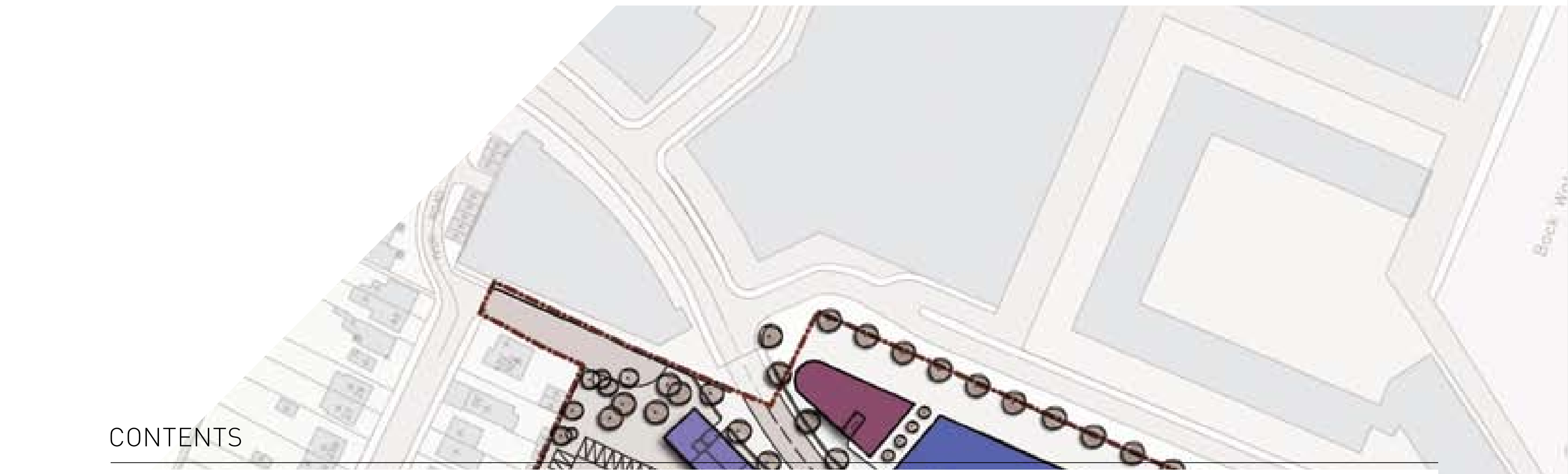
ANNUAL REPORT AND ACCOUNTS

2008

CREATIVE THINKING IN BROWNFIELD DEVELOPMENT



INLAND PLC ARE DYNAMIC DEVELOPERS OF URBAN REGENERATION PROJECTS AROUND SOUTHERN ENGLAND. PREDOMINANTLY SPECIALISING IN BROWNFIELD DEVELOPMENTS, OUR HIGHLY EXPERIENCED TEAM CAN PROVIDE SOLUTIONS TO A VARIETY OF DIFFICULT AND SENSITIVE LAND SITUATIONS.



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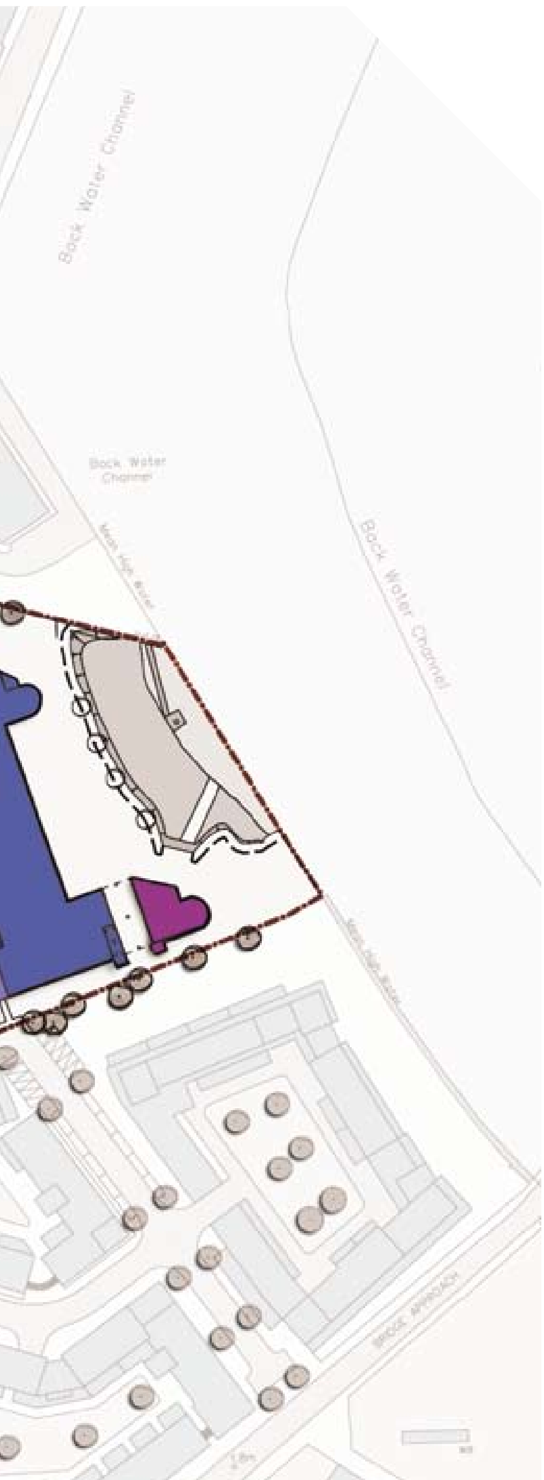

HIGHLIGHTS

REVENUE

£11.01m

OPERATING PROFIT BEFORE EXCEPTIONAL COSTS

£0.71m

PRE TAX LOSS

£4.19m

CASH

£4.60m

INVENTORIES

£47.68m

NET ASSET VALUE PER SHARE

32.9p

CHAIRMAN'S STATEMENT

TERRY ROYDON

DESPITE THE CURRENT TURBULENT MARKET CONDITIONS WE BELIEVE THAT THE LONG-TERM FUNDAMENTALS OF THE LAND MARKET AND INLAND'S BUSINESS MODEL REMAIN SOUND

The results for the year ended 30 June 2008 show an operating profit on operations before exceptional costs of £0.708 million (2007: £1.357 million) and a loss before tax of £4.189 million (2007: profit £1.123 million).

Since floating in March 2007 the Company is operating with a strong balance sheet and has now completed the purchase of 20 development sites which have the potential for 1,360 plots and 253,000 square feet of commercial space. During the year, we have secured planning consents on four sites for 468 residential units and 105,000 square feet of commercial space.

Since the last annual report and accounts there has been an unprecedented fall in confidence in the housing market with house prices having declined significantly. As a result there has been a serious reduction in demand for land from both volume and other house builders.

There appears to be little prospect of any material improvement in the housing market until mortgage finance and consumer confidence returns and with financial markets being increasingly volatile and dysfunctional, any recovery may be some considerable time away.

We are therefore examining alternative uses on a number of our sites and are in discussions with a number of potential purchasers with particular interest coming from the housing associations and the hotel and nursing home sectors.

FINANCIAL SUMMARY

Revenue for the year ended 30 June 2008 was £11.0 million (2007: £5.5 million). This was principally achieved by the sale of 98 development plots across three sites which had been successfully taken through the planning process, together with a listed building suitable for conversion into residential units and a commercial building that was let.

Market conditions have seriously declined over the last few weeks and as a result the Board decided to carry out a further review of the carrying value of its land holding. Whilst a number of our sites are still showing potential profitability we believe it is appropriate to write down the value of part of our portfolio by £4.783 million to reflect the values at the lower of cost and net realisable value in the current market place.

The Group continued to increase its activity in the course of the year with inventories standing at £47.68 million (2007: £38.79 million). We had cash of £4.60 million (2007: £42.84 million) as at the balance sheet date and net assets were £53.32 million (2007: £61.77 million) being 32.9p (2007: 38.1p) per share. Further to the announcement dated 4 August 2008 we confirm that we are in ongoing discussions with our bank to agree the level of security required to put in place a bank facility of £15 million. In the meantime, our existing overdraft facility stands at £7 million secured by way of a debenture and is available until 31 July 2009. The extension to £15 million requires credit committee approval though the Directors are confident based on the Group's substantial assets that this will take place once a suitable level of collateral is agreed.

The current portfolio generates residential and commercial letting income of £636,000 per annum.

LAND

The Group's main focus at the moment is on securing planning consents on the existing portfolio. The current market conditions are now presenting some potentially attractive propositions which are being examined, however due to the extremely difficult trading environment we are taking a very cautious approach.

On 4 August 2008, we announced that heads of terms had been agreed for the sale of our site at Ashford Hospital near Heathrow subject to consent being obtained for a hotel. Unfortunately the potential purchaser has now withdrawn, but we are in discussions with other potential hotel operators regarding the site.

We continue to believe that the fundamentals of our business model remain sound because of the overall constraints in the supply of development land in the United Kingdom and the underlying demand for housing. In addition major housebuilders who are not in the land market at present and who are currently using up their existing land stocks will need to replenish their landbanks in due course. The current downturn is also resulting in less planning applications being submitted thereby further restricting the supply of land with planning consent.

PLANNING CONSTRAINTS

Unfortunately the planning system has continued to deteriorate since we reported our interim results.

With a few exceptions, most planning departments seem to go out of their way to frustrate development opportunities and rarely encourage the initiative, enthusiasm and professionalism that Inland puts into its projects.

INLAND PROPOSALS FOR REDEVELOPMENT OF THE QUEEN'S HEAD, FARNBOROUGH INCLUDE 16 SEMI-DETACHED AND TERRACED HOUSES AND 4 APARTMENTS. THE SITE IS LOCATED WITHIN WALKING DISTANCE OF THE TOWN CENTRE AND BENEFITS FROM GOOD PUBLIC TRANSPORT LINKS.

RECENT PROJECTS

THE QUEEN'S HEAD, FARNBOROUGH

CHAIRMAN'S STATEMENT continued

POOLE, DORSET

INLAND HAS PURCHASED A 9.5 ACRE RIVERSIDE SITE IN LOWER HAMWORTHY, POOLE. THE BROWNFIELD SITE IS CURRENTLY USED TO MANUFACTURE PILKINGTON TILES AND IS A CENTRAL PART OF THE HOLES BAY BASIN REGENERATION AREA AND THE WIDER POOLE BRIDGE REGENERATION INITIATIVE. THE LOCAL PLAN SEEKS A MIX OF USES ON THIS SITE, WITH RESIDENTIAL, OFFICES AND GROUND FLOOR RETAIL AND RESTAURANT/BARS TO ATTRACT PEOPLE TO THE WATERSIDE. THE SCHEME PROPOSES TO INCREASE ACCESS TO THE WATERFRONT, WITH LINKAGES TO ADJOINING WATERFRONT PROPERTIES.

The difficulties that the sector continues to experience and the resulting delays caused, impairs our ability to realise attractive opportunities. This impediment is compounded when the rapid decline in the housing market has prevented a number of sales being achieved at good margins, had consents been received earlier.

We continue to take a robust and tenacious approach to the planning problems we are experiencing but the process is nevertheless time consuming and frustrating.

INVESTMENTS

Howarth Homes PLC where we hold 15% of the equity and a further 20% by way of convertible loan stock is experiencing challenging conditions in line with others in the house building industry.

Howarth had taken a decision to pre sell over £24 million of their stock last year and most of those completions have now taken place. The focus is on cash generation and sales are still being achieved albeit at reduced margins. Howarth are currently operating on six sites totalling 51 homes. The company has a land and development facility of £20 million from Royal Bank of Scotland and are currently operating well within this.

Inland are working closely with Howarth on new initiatives where land can be sold for social housing by Inland with Howarth securing the building contract.

At 30 June 2008 the Group held a stake in M J Gleeson PLC representing 3.74% of its issued share capital with a carrying value of £3.06 million. The carrying value of other listed investments amounted to £0.84 million.

OUTLOOK

Despite the current turbulent market conditions we believe that the long-term fundamentals of the land market and Inland's business model remain sound.

TERRY ROYDON
CHAIRMAN

CHIEF EXECUTIVE'S REVIEW

STEPHEN WICKS

2008 has seen a devastating fall in both house prices and consumer and investor confidence. With severe problems now extending to the banking sector and the economy generally, it is clear that it will be some considerable time before our industry returns to 'normal'.

What does normal mean? Despite the undoubted need for decent homes in the areas in which we operate, housebuilding starts are now reducing to levels not seen for many years.

It is clear to me that to achieve Government targets to provide good affordable homes in substantial numbers a radical rethink of how our industry operates is required.

The national obsession with home ownership is likely to change; with one of the highest levels of owner occupation in the western world it may have already reached its peak.

To move away from the 'boom and bust' environment in which our industry operates it is necessary to quickly and radically change the tenure and structure of housing.

At the moment home ownership is at one end of the spectrum with social housing at the other, private rental is a 'twilight zone' somewhere in the middle dominated by buy to let investors who have little regard for their tenants and their security of tenure.

WARREN ROAD, REIGATE

WARREN ROAD, REIGATE IS SITUATED ON A FORMER DAIRY SITE WITHIN THREE MINUTES OF THE RAILWAY STATION. THE PROPOSALS INCLUDE 40 ONE AND TWO BEDROOM RESIDENTIAL APARTMENTS WITH LANDSCAPING, PARKING AND AMENITIES WHILST ALSO PROVIDING OVER 10,000 SQ FT OF COMMERCIAL SPACE.

CHIEF EXECUTIVE'S REVIEW continued

The 'new housing world' requires a radical new form of lease that will enable a long term rental sector to emerge satisfying both the needs of investors and occupiers. The Government needs to recognise that if offered with more tenant security, the private rented sector could be an appropriate affordable or intermediate housing option stimulating competition for quality and attracting increasing investment.

With most 'speculative' house builders no longer currently buying development land Inland is seeking new 'customers' for its development sites as they are brought through the planning system. In housing these will include registered social landlords and we expect to sell some sites for hotel and healthcare operators.

Having acquired 20 development sites by 30 June 2008 which have the potential for approximately 1,460 plots and 253,000 square feet of commercial space, we secured planning on four sites totalling 468 residential plots and 105,000 square feet of commercial space. During the year we sold 98 of these plots.

We had hoped to receive planning consent on considerably more sites in the year but the planning system has continued to deteriorate and whilst all but one of our unconsented sites have planning applications submitted an unprecedented 50% are now subject to planning appeals, a process which is both costly and time consuming.

As set out in the Chairman's Statement it was appropriate to write down £4.783 million from the carrying value of our land bank to take account of declining market conditions. Accounting standards do not allow us to recognise any increase in value on some of our sites where we believe we have a surplus.

During the year the Group generated revenue of £11.0 million (2007: £5.5 million) principally from the sale of 98 plots across three sites. Of particular note was the sale of the first 60 plots at our Farnborough site where 47 units will be built as affordable housing in conjunction with a housing association.

These homes will be built by our associate company, Howarth Homes. We expect to increase the amount of activity in the affordable homes sector as set out earlier in this statement and wherever appropriate we intend to negotiate the building of these developments via Howarth Homes.

For the moment our focus is on obtaining planning permissions on the balance of our portfolio and achieving some further land sales which will generate cash to reinvest in new projects at rebased prices.

With an extremely sensitive banking climate it is not appropriate to have much more than modest gearing. We are fortunate to have a strong balance sheet and short term rental income of £636,000 per annum.

Despite the dreadful market conditions our small team which has a good track record and considerable experience in the sector will adapt to the new environment which we find ourselves in and are determined to grow the long term value for our shareholders.

STEPHEN WICKS
CHIEF EXECUTIVE

WE HAVE AN EXCELLENT AND CAPABLE TEAM IN PLACE AND ARE THEREFORE CONFIDENT OF ACHIEVING GOOD RETURNS FOR OUR SHAREHOLDERS IN THE LONGER TERM

BOARD OF DIRECTORS AND ADVISERS

STEPHEN WICKS
CHIEF EXECUTIVE (AGED 57)
Mr Wicks 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
FINANCE DIRECTOR (AGED 50)
Mr Malde qualified as a Chartered Accountant in 1985 with KPMG and specialised in advising owner managed businesses. He left KPMG in 1989 to set up a consultancy firm which later merged with an audit practice where he was the partner responsible for the affairs of Country & Metropolitan PLC. Mr Malde joined Country & Metropolitan PLC as finance director and company secretary in 1998. He was actively involved in the preparation for the flotation of Country & Metropolitan PLC in December 1999 and its further development (which included acquisitions and disposals) until it was acquired by Gladedale Holdings PLC in April 2005. Mr Malde is on the board of Billam PLC and is also a non-executive director of SLR Management Limited, which has a successful international environmental consultancy business.

TERRY ROYDON
NON-EXECUTIVE CHAIRMAN (AGED 61)
Mr Roydon 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 (until March 2007) 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 50)
Mr Bennett has over 25 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 left the practice to concentrate full time on growing Citicourt & Co. Limited, an independent corporate finance advisory business, where he was the Managing Director and the majority shareholder. In late 2007 Mr Bennett joined Fairfax IS PLC the independent investment bank as Head of Corporate Broking. Mr Bennett is also non-executive chairman of Billam PLC and a number of other private companies.

Company registration number
5482990

Company Secretary
Nishith Malde FCA

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www.inlandplc.com

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Grant Thornton UK LLP
Churchill House
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Berkshire SL1 2LS

Financial PR Consultants
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Registrars
Capita Registrars
The Registry
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Kent BR3 4TU

DIRECTORS' REPORT

The Directors present their report and the financial statements of the Group and the Company for the year ended 30 June 2008.

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

Results and dividends
The trading results for the year are set out in the consolidated income statement on page 14 and the Group's financial position at the end of the year is set out in the consolidated balance sheet on page 15. Further details of the performance during the financial year and expected future developments are contained in the Chairman's Statement, which forms part of the Directors' report.

The Company has paid no dividends during the year and does not recommend the payment of a final dividend.

Business review
A review of the development and performance of the business during the year and the future outlook of the Group is set out in the Chairman's Statement on pages 2 to 4. The Group's key performance indicators are turnover, profit before tax, net assets per share and cash generation. These indicators are monitored closely by the Board and the details of performance against these are given in the Chairman's Statement.

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

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

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

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

Land – the inability to source, acquire and promote land would have a substantial effect on the business.

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

Market – to realise maximum value in a timely fashion will depend on the state of the property market in the regions in which the Group chooses to operate.

Personnel – the attraction and retention of staff of the highest calibre with appropriate experience is crucial to the growth of the business in the highly competitive markets in which we operate.

Interest rates – significant upward changes in interest rates could affect residential land prices as the demand for residential property would be affected.

Environmental – the assessment of environmental risk is an important element of the due diligence undertaken when buying land. Unexpected liabilities in respect of decontamination works or fines for environmental pollution could affect the outcome of a project.

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

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

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

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

The main risks arising from the 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.

Flexibility is achieved by bank loans and 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 rate facilities.

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

Capital risk management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital in relation to overall financing. Further information can be found in Note 28 to the financial statements.

Directors and their interests
The Directors of the Company and their respective beneficial interests (including that of their respective families) in the shares of the Company as at 30 June 2008 were as follows:

	As at 30 June 2008		As at 30 June 2007	
	Number of Ordinary shares	**Number of Deferred shares**	Number of Ordinary shares	Number of Deferred shares
S Wicks	**20,125,009**	**490**	20,050,009	490
N Malde	**8,174,000**	**392**	8,024,000	392
T Roydon	**150,000**	**–**	150,000	–
S Bennett	**–**	**–**	–	–

Between 21 July 2008 and 8 October 2008, Stephen Wicks acquired 550,000 ordinary shares.

On 21 July 2008, Nishith Malde acquired 350,000 ordinary shares. 175,000 shares acquired by Nishith Malde were purchased on his behalf by the trustees of his personal pension fund and 175,000 shares were purchased by his minor child's trust.

On 22 July 2008, Simon Bennett acquired 50,000 ordinary shares.

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

Directors' emoluments
The remuneration of the individual Directors was:

	Salary/fees £'000	**Bonus £'000**	**Benefits £'000**	**Pension £'000**	**2008 Total £'000**	2007 Total £'000
Executive Directors						
S D Wicks	**270**	**25**	**29**	**–**	**324**	306
N Malde	**225**	**25**	**28**	**45**	**323**	305
Non-executive Directors						
T Roydon	**30**	**–**	**–**	**–**	**30**	10
S Bennett	**25**	**–**	**–**	**–**	**25**	8

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

DIRECTORS' REPORT continued

Substantial shareholding

As at 22 October 2008, the Company was aware of the following holdings in addition to those of the Directors discussed above, of 3% or more of the nominal value of the Company's shares:

Name	Shareholding	%
RMB Asset Management PTY	17,600,000	10.85
Henderson Global Investors Limited	11,251,000	6.94
Brookwell Limited	9,235,000	5.74
Lehman Brothers International (Europe)	7,460,000	4.60
Unique Limited	5,652,329	3.49
M H Dixon	5,500,000	3.39

Purchase of own shares

The Company purchased 1,325,000 of its own shares for a total consideration of £366,000.

Employee involvement

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

Charitable and political contributions

Donations to charitable organisations amounted to £19,000. These donations were made to a number of different charities supporting a broad range of causes. There were no political donations made during the year.

Payment policy and practice

The Group's policy is for all companies within the Group to agree terms and conditions with their suppliers. Payments are then generally made on the basis of this agreement, providing the suppliers conform with the terms and conditions stipulated. At 30 June 2008 the Group had an average of 14 days (2007: 27 days) purchases outstanding in trade creditors.

Corporate governance

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

Board composition

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

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

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

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

During the year ended 30 June 2008 the Board met six times and has met two times since 1 July 2008. At each meeting the Board receives *inter alia* a land report and financial information which is discussed in detail.

Audit committee

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

Since 30 June 2007 the audit committee has met four times to consider the planning of the statutory audit and to review the Group's draft half and full year results prior to Board approval and to consider the external auditor's detailed reports thereon.

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

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

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

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

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

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

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

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

Going concern
The Directors are satisfied that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable IFRSs 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 the Group 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.

DIRECTORS' REPORT continued

In so far as the Directors are aware:

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

The Directors are responsible for the maintenance and integrity of the website and accordingly the auditors accept no responsibility for the information published. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Information published on the website is accessible in many countries and legislation in the UK concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Annual General Meeting
The Notice covering the Annual General Meeting (AGM) together with the proposed resolutions is contained in the document accompanying this report. The AGM will be held on 26 November 2008.

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

By order of the Board

N Malde
Company Secretary

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF INLAND PLC

We have audited the Group financial statements of Inland PLC for the year ended 30 June 2008 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, and notes 1 to 30. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Inland PLC for the year ended 30 June 2008.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors
The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group 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 Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Directors' Report, the Chairman's Statement and the Chief Executive's review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of audit 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 Group financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Group 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 Group 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 Group financial statements.

Opinion
In our opinion:
- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 June 2008 and of its loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Separate opinion in relation to IFRS
As explained in note 1 to the Group financial statements, the Group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the Group financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 30 June 2008 and of its loss for the year then ended.

Grant Thornton UK LLP
Registered auditors
Chartered accountants
London Thames Valley Office
Slough
22 October 2008

CONSOLIDATED INCOME STATEMENT
For the year ended 30 June 2008

	Note	2008 Before exceptional costs £'000	2008 Exceptional costs (note 5) £'000	2008 £'000	2007 £'000
Revenue		**11,006**	**–**	**11,006**	5,466
Cost of sales	6	**(6,565)**	**(4,783)**	**(11,348)**	(2,603)
Gross profit/(loss)		**4,441**	**(4,783)**	**(342)**	2,863
Administrative expenses	6	**(2,208)**	**–**	**(2,208)**	(1,506)
Loss on investments		**(1,525)**	**–**	**(1,525)**	–
Operating profit/(loss)		**708**	**(4,783)**	**(4,075)**	1,357
Interest expense	8	**(103)**	**–**	**(103)**	(107)
Notional interest	8	**(1,455)**	**–**	**(1,455)**	(1,265)
Interest receivable and similar income	9	**1,427**	**–**	**1,427**	963
		577	**(4,783)**	**(4,206)**	948
Share of profit of associate		**17**	**–**	**17**	175
Profit/(loss) before tax		**594**	**(4,783)**	**(4,189)**	1,123
Income tax	10			**317**	(328)
Loss/(profit) for the year				**(3,872)**	795
Attributable to:					
Equity holders of the Company				**(3,872)**	795
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the year					
– basic	11			**(2.39)p**	0.98p
– diluted	11			**(2.39)p**	0.98p

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

CONSOLIDATED BALANCE SHEET
For the year ended 30 June 2008

	Note	2008 £'000	2007 £'000
Assets			
Non-current assets			
Investment property	12	**8,801**	–
Plant and equipment	12	**87**	65
Investments	13	**825**	815
Investment in associate	13	**756**	385
Available-for-sale financial assets	15	**3,064**	3,341
Deferred tax	16	**6,741**	393
		20,274	4,999
Current assets			
Inventories	17	**47,683**	38,791
Trade and other receivables	18	**4,752**	2,674
Loan to associate	19	**475**	2,000
Listed investments held for trading (carried at fair value through profit and loss)	20	**842**	–
Cash and cash equivalents	21	**4,600**	42,838
		58,352	86,303
Total assets		**78,626**	91,302
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	22	**16,216**	16,216
Share premium account	23	**45,184**	45,184
Treasury shares	23	**(366)**	–
Retained earnings	23	**(3,317)**	373
Other reserves	23	**(4,397)**	–
Total equity		**53,320**	61,773
Liabilities			
Current liabilities			
Trade and other payables	24	**2,697**	740
Current tax liabilities		**–**	454
Other financial liabilities	25	**14,040**	9,202
Total current liabilities		**16,737**	10,396
Non-current liabilities			
Other financial liabilities	25	**8,569**	19,133
Total non-current liabilities		**8,569**	19,133
Total liabilities		**25,306**	29,529
Total equity and liabilities		**78,626**	91,302

The financial statements were approved by the Board of Directors on 22 October 2008.

S Wicks
Chief Executive

N Malde
Finance Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2008

	Share capital £'000	Share premium £'000	Treasury shares £'000	Retained earnings £'000	Other reserves £'000	Total £'000
At 30 June 2006	3,279	699	–	(466)	–	3,512
Profit attributable to shareholders	–	–	–	795	–	795
Total recognised income and expense	–	–	–	795	–	795
Share based compensation	–	–	–	44	–	44
Issue of equity	12,937	47,343	–	–	–	60,280
Issue expenses	–	(2,858)	–	–	–	(2,858)
At 30 June 2007	16,216	45,184	–	373	–	61,773
Fair value adjustment in respect of available for sale financial assets	–	–	–	–	(4,397)	(4,397)
Loss attributable to shareholders	–	–	–	(3,872)	–	(3,872)
Total recognised income and expense	–	–	–	(3,872)	(4,397)	(8,269)
Share based payment	–	–	–	182	–	182
Purchase of own shares	–	–	(366)	–	–	(366)
At 30 June 2008	**16,216**	**45,184**	**(366)**	**(3,317)**	**(4,397)**	**53,320**

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

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 June 2008

	Note	2008 £'000	2007 £'000
Cash flows from operating activities			
(Loss)/profit for the year before tax		**(4,189)**	1,123
Adjustments for:			
– depreciation	12	**25**	16
– share based compensation		**182**	44
– fair value adjustment for listed investments		**1,863**	–
– profit on disposal of listed investments		**(338)**	–
– interest expense		**1,558**	1,372
– interest and similar income		**(1,427)**	(963)
– share of profit of associate		**(17)**	(175)
– tax paid		**(454)**	–
Changes in working capital (excluding the effects of acquisition):			
– increase in inventories		**(8,892)**	(39,064)
– increase in trade and other receivables		**(202)**	(4,212)
– increase in trade and other payables		**(5,807)**	29,522
Net cash outflow from operating activities		**(17,698)**	(12,337)
Cash flow from investing activities			
Interest received		**1,115**	946
Dividends received		**302**	11
Purchases of property, plant and equipment	12	**(133)**	(45)
Equity investment in associate		**(359)**	–
Convertible loan stock in associate		**–**	–
Purchase of listed investments		**(15,396)**	(3,342)
Purchase of own shares		**(366)**	–
Sale of listed investments		**8,859**	–
Acquisition of subsidiary, net of cash acquired	14	**(11,267)**	–
Net cash used in investing activities		**(17,245)**	(2,430)
Cash flow from financing activities			
Interest paid		**(91)**	(107)
New bank loans raised		**–**	1,175
Bank loans repaid		**(3,204)**	(1,700)
Issue of shares		**–**	57,422
Net cash from financing activities		**(3,295)**	56,790
Net increase in cash and cash equivalents		**(38,238)**	42,023
Cash and cash equivalents at beginning of year		**42,838**	815
Cash and cash equivalents at the end of the year		**4,600**	42,838

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

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

Basis of preparation
The consolidated 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 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 accounting policies that have been applied in the opening balance sheet have also been applied throughout all periods presented in these financial statements. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 30 June 2008.

A new Standard, IFRS 7 Financial Instruments: Disclosures has become mandatory for reporting periods beginning on 1 January 2007 or later. This Standard, which replaces rules previously set out in IAS 32 Financial Instruments: Presentation and Disclosures, has been applied by the Group in its 2008 consolidated financial statements. All disclosures relating to financial instruments including all comparative information have been updated to reflect the new requirements. The first-time application of IFRS 7 has not resulted in any prior-period adjustments of cash-flows, net income or balance sheet line items.

Standards in issue but not yet effective
- IAS 1 Presentation of Financial Statements (revised 2007) (effective 1 January 2009).
- IAS 23 Borrowing Costs (revised 2007) (effective 1 January 2009).
- IAS 27 Consolidated and Separate Financial Statements (effective 1 July 2009).
- Amendment to IAS 32 Financial Instruments: Presentation.
- IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective 1 January 2009).
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective 1 July 2009).
- IFRS 8 Operating Segments (effective 1 January 2009).
- Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective 1 January 2009).
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Costs of Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 January 2009).
- IFRS 3 Business Combinations (Revised 2008) (effective 1 July 2009).
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions (effective 1 March 2007).
- IFRIC 12 Service Concession Arrangements (effective 1 January 2008).
- IFRIC 13 Customer Loyalty Programmes (effective 1 July 2008).
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008).
- IFRIC 15 Agreements for the Construction of Real Estate (effective 1 January 2009).
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008).

None of these standards will have an impact on the Group's financial statements except IAS 23 the effect of which is currently being evaluated and IAS 1, the effect of which will be that it will have an impact on the presentation of the financial statements going forward.

Basis of consolidation
The Group's financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 30 June 2008. 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.

1. Accounting policies continued

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 supplied, excluding VAT and trade discounts. Revenue is recognised upon 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.

Exceptional items

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

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.

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 30 June 2008

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

Fixtures & fittings	25%
Office and computer equipment	25%
Motor vehicles	25%

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

Investment property
The Group measures all of the investment property in accordance with IAS 16's requirements for the cost model, other than those that meet the criteria to be classified as held for sale (or are included as a disposal group that is classified as held for resale). An investment property shall be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Impairment testing of property, plant and equipment
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

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

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

1. Accounting policies continued
Employee benefits
Defined Contribution Pension Scheme
The pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period.

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

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

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to reserves brought forward.

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

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

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

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

All other financial assets within this category are subsequently measured at fair value, with changes in value recognised in equity. Gains and losses arising from financial instruments classified as available-for-sale are recognised in the income statement when they are sold or when the investment is impaired. In the case of impairment, any loss previously recognised in equity is transferred to the income statement. Losses recognised in the income statement on equity instruments are not reversed through the income statement.

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.

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 30 June 2008

1. Accounting policies continued
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 (including deferred purchase consideration). Financial liabilities are designated as at fair value through profit or loss where they eliminate or significantly reduce a measurement (or recognition) mismatch.

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

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

Dividends
Dividend distributions payable to equity shareholders are included in 'other short term financial liabilities' when the dividends are approved in general meeting prior to the 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.
- 'Treasury shares' represent the purchase of the Company's own shares.
- 'Other reserves' represent amounts written off relating to available for sale financial assets through equity.
- '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 customers with an appropriate credit history.

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

	2008 £'000	2007 £'000
Classes of financial assets – carrying amounts		
Available-for-sale financial assets	**3,064**	3,341
Listed investments held for trading	**842**	–
Loan to associate	**475**	2,000
Cash and cash equivalents	**4,600**	42,838
Trade and other receivables	**6,363**	2,674
	15,344	50,853

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

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

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

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

(b) Liquidity risk

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

(c) Cash flow 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.

For the listed equity securities, an average volatility of 13% has been observed during the year ended 30 June 2008. If the quoted stock price of these securities had increased or decreased by that amount, the net result for the year would have been reduced/increased by £508,000 (2007: £4,000). Equity would have changed by £508,000 (2007: £4,000). The average volatility has been derived by using the movement in the share prices of the underlying securities at each month end and taking the average across all the securities.

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

3. Segment information

Primary reporting format – business segments

At 30 June 2008, the Group is organised into one business segment in one geographical area consequently there is no segmental information presented in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 30 June 2008

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 the Directors' experience, planning consent will be given. The key judgement in estimating the future profit stream is the evaluation of the likely sales prices. If planning consent was not achieved then a provision would be required against inventories.

(b) Associate
The Group has equity accounted for its 15% 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. Exceptional costs
The Group conducted a review of the net realisable value of its land bank in view of the deterioration in the UK housing market. Where the estimated future net realisable value of the site is less than its carrying value within the balance sheet, the Group has impaired the land value. This has resulted in an impairment of £4.783 million. The key judgement in estimating the net realisable value is the evaluation of the expected selling prices of residential units and the cost of construction.

6. Expenses by nature

	2008 £'000	2007 £'000
Depreciation (Note 12)	**25**	16
Operating lease rentals	**40**	41
Auditor's remuneration		
– Audit	**33**	26
– Non-audit (tax, review of interim report and financial due diligence of Poole Investments PLC)	**44**	41
Cost of sales	**11,348**	2,603
Other expenses	**2,066**	1,382
Total	**13,556**	4,109
Classified as:		
– cost of sales	**11,348**	2,603
– administrative expenses	**2,208**	1,506
	13,556	4,109
Rental income from investment property	**389**	268

7. Directors and employees

The employee benefit expense during the year was as follows:

	2008 £'000	2007 £'000
Wages and salaries	**1,120**	878
Social security costs	**138**	72
Pension costs – defined contribution plans	**67**	52
	1,325	1,002

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

	2008 Number	2007 Number
Management	**4**	4
Administration	**7**	3
	11	7

Remuneration in respect of Directors was as follows:

	2008 £'000	2007 £'000
Emoluments	**602**	573
Fees	**51**	20
Pension costs – defined contribution plans	**45**	38
Share based payment	**136**	33
	834	664

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

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

	2008 £'000	2007 £'000
Emoluments	**324**	306
Share based payment	**75**	18
	399	324

Remuneration in respect of key personnel was as follows:

	2008 £'000	2007 £'000
Emoluments	**330**	208
Pension costs – defined contribution plans	**15**	15
Share based payment	**42**	10
	387	233

8. Interest expense

	2008 £'000	2007 £'000
Interest expense:		
– bank borrowings	**103**	107
– notional interest on deferred consideration	**1,455**	1,265
	1,558	1,372

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 30 June 2008

9. Interest receivable and similar income

	2008 £'000	2007 £'000
Effective interest on loan stock	**10**	7
Other interest receivable	**281**	292
Bank interest receivable	**834**	653
Dividends receivable from listed investments	**302**	11
	1,427	963

10. Income tax

	2008 £'000	2007 £'000
Corporation tax charge	**5**	(507)
Adjustments in respect of prior year	**(206)**	–
Deferred tax credit	**(571)**	179
Deferred tax asset written off after initial recognition in respect of Poole Investments PLC	**400**	–
Change in tax rate	**55**	–
	(317)	(328)

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:

	2008 £'000	2007 £'000
(Loss)/profit before tax	**(4,189)**	1,123
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 29.5% (2007: 30%)	**(1,236)**	337
Expenses not deductible for tax purposes	**7**	11
Non utilisation of tax losses	**442**	–
Change in rate of tax	**55**	–
Other differences	**17**	(20)
Initial recognition of Poole Investments PLC	**400**	–
Losses carried back	**204**	–
Adjustment in respect of prior periods	**(206)**	–
Tax (credit)/charge	**(317)**	328

During the year, as a result of the change in the corporation tax rates which are effective from 1 April 2008, deferred tax balances have been remeasured.

11. Earnings per share

Basic and diluted

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

	2008	2007
(Loss)/profit attributable to equity holders of the Company (£'000)	**(3,872)**	795
Weighted average number of ordinary shares in issue ('000)	**162,150**	80,944
Dilutive effect of options treated as exercisable at the year end ('000)	**–**	(96)
	162,150	80,848
Basic (loss)/earnings per share in pence	**(2.39)p**	0.98p
Diluted (loss)/earnings per share in pence	**(2.39)p**	0.98p

12. Property, plant and equipment

	Investment property £'000	Motor vehicles £'000	Fixtures & fittings £'000	Office equipment £'000	Total £'000
Cost					
At 30 June 2006	–	–	14	28	42
Additions	–	27	15	3	45
At 30 June 2007	–	27	29	31	87
Disposals	–	–	–	(7)	(7)
Additions	83	34	8	8	50
Acquisition of subsidiary	8,718	–	–	–	–
At 30 June 2008	**8,801**	**61**	**37**	**32**	**130**
Depreciation					
At 30 June 2006	–	–	1	5	6
Depreciation charge	–	4	5	7	16
At 30 June 2007	–	4	6	12	22
Depreciation charge	–	9	8	8	25
Disposals	–	–	–	(4)	(4)
At 30 June 2008	**–**	**13**	**14**	**16**	**43**
Net book value					
At 30 June 2008	**8,801**	**48**	**23**	**16**	**87**
At 30 June 2007	–	23	23	19	65

All freehold property is stated at valuation.

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

The historical cost of the investment property at 30 June 2008 as noted in Poole Investments PLC's financial statements is £1,252,000 (2007: nil).

13. Investments

	Associate £'000	Equity in convertible loans £'000	Convertible loan at fair value £'000	Total £'000
Cost or fair value				
At 30 June 2006	262	39	769	808
Notional interest adjustment	–	–	7	7
Share of profit of associate	123	–	–	–
At 30 June 2007	385	39	776	815
Notional interest adjustment	–	–	10	10
Share of profit of associate	12	–	–	–
Additions	359	–	–	–
At 30 June 2008	**756**	**39**	**786**	**825**
Net book value				
At 30 June 2008	**756**	**39**	**786**	**825**
At 30 June 2007	385	39	776	815

In December 2005, Inland plc invested £200,000 in Howarth Homes PLC ('Howarth') and in return received ordinary shares amounting to 10% of the issued share capital of Howarth Homes PLC. In January 2008, Inland plc made a further investment of £359,000 in Howarth to increase its interest to 15% of the issued share capital of Howarth.

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

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 30 June 2008

13. Investments continued
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, 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 2008 the Company held or potentially held 20% or more of the equity of the following:

Company name	Country of registration	Principal activity	Holding	Class of shares
Inland Homes Limited	England & Wales	Real estate development	100%	Ordinary
Howarth Homes PLC	England & Wales	Housebuilder	15%	Ordinary
Poole Investments PLC	England & Wales	Real estate investment	100%	Ordinary

Investment in associate includes goodwill of £42,000.

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

Name	Country of incorporation	Assets £'000	Liabilities £'000	Revenue £'000	Profit after tax £'000	% held
Howarth Homes PLC	England and Wales	5,446	4,874	3,767	12	15

The financial statements of Howarth are prepared to 31 July each year. The Group has used the management accounts of Howarth to 30 June 2008 to account for its share of results.

14. Acquisition of subsidiary
During the year, the Group acquired the share capital of Poole Investments PLC.

	£'000
Purchase consideration:	
– shares purchased	11,097
– direct costs relating to the acquisition	239
	11,336

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's book value £'000	Fair value £'000
Investment property	6,524	8,718
Debtors	144	144
Cash and cash equivalents	18	18
Creditors & other payables	(572)	(572)
Loans	(3,205)	(3,205)
	2,909	5,103
Deferred tax (tax losses in subsidiary)	–	6,233
Net identifiable assets acquired	**2,909**	**11,336**

14. Acquisition of subsidiary continued

	£'000
Outflow of cash to acquire business, net of cash acquired:	
Cash consideration	11,336
Cash paid in previous period	(51)
	11,285
Cash and cash equivalents in subsidiary acquired	(18)
Cash outflow on acquisition	**11,267**

The acquisition of Poole Investments PLC is not an acquisition in terms of a business combination as defined by IFRS 3 but was accounted for as a purchase of assets. Poole Investments PLC was accounted for by allocating the cost of the company between the individual identifiable assets and liabilities in the company based on their relative fair values at the acquisition date. The fair value of the consideration was allocated to the assets (property and tax losses) in the appropriate category. The property met the requirements of an investment property and was accounted for in accordance with IAS 40 – Investment Property.

15. Available-for-sale financial assets

	£'000
At 1 July 2007	3,341
Transferred to investment in Group undertakings	(51)
Additions	4,171
Provision	(4,397)
At 30 June 2008	**3,064**

All the listed investments have been issued by publicly traded companies in the Euro zone. Fair values for these securities have been determined by reference to their quoted mid prices at the balance sheet date.

16. Deferred tax

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

	£'000
At 1 July 2007	393
Acquisition of Poole Investments PLC	6,232
Income statement credit	116
At 30 June 2008	**6,741**

The movement in deferred tax assets is as follows:

	Accelerated tax depreciation £'000	Losses £'000	Other £'000	Total £'000
At 1 July 2007	–	–	393	393
Acquisition of Poole Investments PLC	–	6,232	–	6,232
Deferred tax asset written off after initial recognition in respect of Poole Investments PLC	–	(400)	–	(400)
Change in tax rate	–	(4)	(51)	(55)
Credited to income statement	(3)	108	466	571
At 30 June 2008	**(3)**	**5,936**	**808**	**6,741**

The deferred tax asset is recoverable as follows:

	2008 £'000	2007 £'000
Deferred tax asset to be recovered after 12 months	**6,741**	393
	6,741	393

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of £2,527,000 that can be carried forward against future taxable income.

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 30 June 2008

17. Inventories

	2008 £'000	2007 £'000
Stock and work in progress	**47,683**	38,791

During the period a total of £11,348,000 (2007: £2,603,000) of inventories was included in the consolidated income statement as an expense.

The Group conducted a review of the net realisable value of its carrying values of its land in the light of the current deterioration in the UK housing market. Where the estimated future net present realisable value of the site was less than its carrying value within the balance sheet, the Group has impaired the land values. This has resulted in an exceptional impairment of £4.783 million. The key judgement in estimating the future profit stream is the evaluation of the likely sales prices.

18. Trade and other receivables

	2008 £'000	2007 £'000
Corporation tax recoverable	**206**	–
Prepayments	**52**	35
Other	**4,494**	2,639
	4,752	2,674

Other receivable includes an amount of £3.65 million due from Howarth Homes PLC in respect of a site sold to that company. At 30 June 2008, the Group held a first legal charge over the site as security.

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

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

19. Loan to associate

	2008 £'000	2007 £'000
Advances to associate	**475**	2,000

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

20. Listed investments held for trading

	£'000
At 1 July 2007	–
Additions	11,226
Sales	
– proceeds	(8,858)
– realised gains	338
Unrealised losses	(1,864)
At 30 June 2008	**842**

21. Cash and cash equivalents

	2008 £'000	2007 £'000
Cash at bank and in hand	**4,600**	42,838

The Group has a revolving facility of £7 million secured by way of a debenture over its assets.

22. Share capital

	2008 £'000	2007 £'000
Authorised		
239,990,000 ordinary shares of 10p each	**23,999**	23,999
1,000 deferred shares of £1 each	**1**	1
	24,000	24,000

	2008 £'000	2007 £'000
Allotted, issued and fully paid		
162,150,059 ordinary shares of 10p each	**16,215**	16,215
1,000 deferred shares of £1 each	**1**	1
	16,216	16,216

All issued shares are fully paid.

The deferred shares are not entitled to receive any dividends and carry one vote per share in general meetings. On a return of capital, the holders of deferred shares will receive £1 per share unless the conditions described below are met, in which event the entitlement of holders of deferred shares will be enhanced as described below.

In the event that (i) the return to holders of ordinary shares (calculated as dividends received, together with the increase in share price over 50p exceeds 10% per annum compounded annually); and (ii) the relevant holder of deferred 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 deferred shares will become entitled to redeem their shares at a price which is calculated so as to attribute to all the deferred 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; or

(ii) on a winding up, the assets attributable to the deferred 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.

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

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

	Share options	Deferred shares
Expected life of options based on options exercised to date	3 years	5 years
Volatility of share price	30%	30%
Dividend yield	0%	0%
Risk free interest rate	5.38%	5.38%
Share price at date of grant	50p	35p
Exercise price	50p	35p
Fair value per option	£0.08	£0.07

The charge calculated for the year ended 30 June 2008 is £182,000 with a corresponding deferred tax asset at that date of £51,000.

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

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 30 June 2008

22. Share capital continued
A reconciliation of option movements over the year ended 30 June 2008 is shown below:

	Number 000's	Exercise price
Outstanding at 30 June 2008 and 30 June 2007	1,160	50p
Exercisable at 30 June 2008	**–**	**–**

There were no options granted or lapsed during the year.

At 30 June 2008 outstanding options granted over 10p ordinary shares were as follows:

Share option scheme	Option price	Number	Dates exercisable
Company unapproved	50p	1,160,000	28 Mar 10 to 27 Mar 17

23. Movement on reserves

	Share premium account £'000	Treasury shares £'000	Profit and loss account £'000	Other reserves £'000
At 1 July 2007	45,184	–	373	–
Loss for the year	–	–	(3,872)	–
Share based compensation	–	–	182	–
Purchase of own shares	–	(366)	–	–
Loss on available-for-sale financial assets	–	–	–	(4,397)
At 30 June 2008	**45,184**	**(366)**	**(3,317)**	**(4,397)**

24. Trade and other payables

	2008 £'000	2007 £'000
Trade payables	**735**	624
Social security and other taxes	**1,689**	35
Accruals and deferred income	**273**	81
	2,697	740

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

25. Other financial liabilities

	2008 £'000	2007 £'000
Deferred purchase consideration on inventories falling due within one year	**14,040**	9,202
Deferred purchase consideration on inventories falling due		
between one and two years	**4,179**	10,661
between two and three years	**4,390**	4,370
between three and four years	**–**	4,102
	8,569	19,133

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. Flexibility is achieved by bank loans and overdraft facilities.

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

26. Contingencies
There were no contingent liabilities at 30 June 2008 (2007: None).

27. 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:

	2008 £'000	2007 £'000
Expiring in one year	–	7
Expiring in one to two years	47	–
Expiring in two to five years	8	11
	55	18

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

The Group monitors capital on the basis of the carrying amount of the equity less cash and cash equivalents as presented on the face of the balance sheet.

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

The Group manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the level of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

	2008 £'000	2007 £'000
Equity	53,320	61,773
Less: cash and cash equivalents	(4,600)	(42,838)
Capital	48,720	18,935

	2008 £'000	2007 £'000
Equity	53,320	61,773
Borrowings	–	–
Overall financing	53,320	61,773
Capital to overall financing	91.4%	30.7%

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 30 June 2008

29. Related party transactions
The investment undertaken in Howarth Homes PLC ('Howarth') is a related party transaction as S Wicks and N Malde are both directors of Howarth. As at 30 June 2008 Inland PLC had invested £557,000 in ordinary share capital and a further £800,000 in convertible loan stock. These amounts are included within investments.

As at 30 June 2008 there was an amount due from Howarth amounting to £475,000. This is included within loan to associate and is in respect of a rolling facility provided to Howarth for a maximum balance of £2 million. The balance outstanding attracts interest of 4% above the National Westminster Bank plc base rate. The interest received from Howarth for the year ended 30 June 2008 amounted to £207,000.

The Group sold some land to Howarth on an arms length basis for £3.65 million. At 30 June 2008, this amount remained outstanding and was secured by a legal charge over the land.

On 11 April 2008 Howarth contracted to purchase a site for a total consideration of £7 million which includes a deposit of £1 million payable on exchange of contracts and a further deposit of £1 million was paid on 30 September 2008. Inland PLC has provided a guarantee for the total consideration and has a charge over the contract by way of security. The Company has also provided a £2 million facility in respect of the two deposits at 12% per annum. As at 30 June 2008, no amounts were due from Howarth under this facility. Inland PLC advanced £1 million to Howarth on 30 September 2008 under this facility. The Company has not charged a premium in respect of the guarantee. The net liability is not expected to arise as the value of the land is in excess of the liability.

During the year the Group incurred fees from SLR Consulting Limited (an environmental consultancy) of £161,000 (2007: £77,000) a subsidiary of SLR Management Limited. The company is related by the fact that N Malde is director of SLR Management Limited.

30. 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.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF INLAND PLC
For the year ended 30 June 2008

We have audited the parent company financial statements of Inland PLC for the year ended 30 June 2008 which comprise the balance sheet and notes 1 to 12. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Inland PLC for the year ended 30 June 2008.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors
The Directors' responsibilities for preparing the Annual Report and the parent company 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.

Our responsibility is to audit the parent company 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 parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Directors' Report, the Chairman's Statement and the Chief Executive's review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit 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 parent company financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company'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 parent company 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 parent company financial statements.

Opinion
In our opinion:
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 June 2008;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Grant Thornton UK LLP
Registered auditors
Chartered accountants
London Thames Valley Office
Slough
22 October 2008

COMPANY BALANCE SHEET
At 30 June 2008

	Notes	2008 £'000	2007 £'000
Fixed assets			
Investments	5	**16,843**	5,426
Deferred tax		**51**	–
		16,894	5,426
Current assets			
Debtors	6	**34,662**	14,651
Listed investments		**842**	–
Cash at bank and in hand		**4,639**	42,627
		40,143	57,278
Creditors: amounts falling due within one year	7	**(134)**	(677)
Net current assets		**40,009**	56,601
Total assets less liabilities		**56,903**	62,027
Capital and reserves			
Called up share capital	8	**16,216**	16,216
Share premium	9	**45,184**	45,184
Treasury shares		**(366)**	–
Profit and loss account	9	**(4,131)**	627
Shareholders' funds		**56,903**	62,027

The financial statements on pages 36 to 40 were approved by the Board of Directors on 22 October 2008 and signed on its behalf by

Stephen Wicks
Director

Nishith Malde
Director

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

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS
For the year ended 30 June 2008

1. Principal accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention. The Directors have reviewed the principal accounting policies and consider they remain the most appropriate for the Company. The principal accounting policies of the Company have remained unchanged from the previous year.

Investments

Investments are included at cost less amounts written off.

Equity settled share-based payment

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

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

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to reserves brought forward.

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

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

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date on an undiscounted basis.

2. Profit attributable to members of the parent company

As permitted by Section 230 of the Companies Act 1985, the parent company has not presented its own profit and loss account.

The Company's loss for the year of £4,940,000 (2007: profit of £548,000) has been transferred to reserves.

Auditor's remuneration

The audit fees for the Company were £5,000 (2007: £5,000). Auditor's remuneration for other services is disclosed in note 6 to the consolidated financial statements.

Fees paid to the Company's auditor, Grant Thornton UK LLP, and its associates for services other than statutory audit of the Company are not disclosed in Inland PLC's accounts since the consolidated accounts of Inland plc are required to disclose non-audit fees on a consolidated basis.

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS continued
For the year ended 30 June 2008

3. Directors and employees
Staff costs during the year were as follows:

	2008 £'000	2007 £'000
Share based payment	**182**	44

	2008 Number	2007 Number
The average number of employees (including Directors) during the year was:		
Management	**4**	4
Administration	**7**	3
	11	7

4. Directors remuneration
See note 7 of the consolidated financial statements.

5. Investments

	Investments in Group undertakings £'000	Listed investments £'000	Investments other than loans £'000	Loans £'000	Total £'000
Cost					
At 1 July 2007	1,085	3,341	200	800	5,426
Transfer to investments in Group undertakings	51	(51)	–	–	–
Additions	11,285	4,170	359	–	15,814
At 30 June 2008	**12,421**	**7,460**	**559**	**800**	**21,240**
Amortisation					
At 1 July 2007	–	–	–	–	–
Provision	–	(4,397)	–	–	(4,397)
At 30 June 2008	**–**	**(4,397)**	**–**	**–**	**(4,397)**
Net book amount at 30 June 2008	**12,421**	**3,063**	**559**	**800**	**16,843**
Net book amount at 30 June 2007	1,085	3,341	200	800	5,426

The provision against listed investments represents the diminution in value of the assets based on the market prices at the balance sheet date.

See note 13 of the consolidated financial statements for details on the Group undertakings.

6. Debtors

	2008 £'000	2007 £'000
Amounts owed by Group undertakings	**34,180**	12,501
Loan to associate	**475**	2,000
Other debtors	**7**	150
	34,662	14,651

7. Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Trade creditors	**89**	430
Accruals	**45**	–
Corporation tax	**–**	247
	134	677

8. Share capital

	2008 £'000	2007 £'000
Authorised		
239,990,000 ordinary shares of 10p each	**23,999**	23,999
1,000 deferred shares of £1 each	**1**	1
	24,000	24,000

	2008 £'000	2007 £'000
Allotted, issued and fully paid		
162,150,059 ordinary shares of 10p each	**16,215**	16,215
1,000 deferred shares of £1 each	**1**	1
	16,216	16,216

The deferred shares are not entitled to receive any dividends and carry one vote per share in general meetings. On a return of capital, the holders of deferred shares will receive £1 per share unless the conditions described below are met, in which event the entitlement of holders of deferred shares will be enhanced as described below.

In the event that (i) the return to holders of ordinary shares (calculated as dividends received, together with the increase in share price over 50p exceeds 10%. per annum compounded annually); and (ii) the relevant holder of deferred 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 deferred shares will become entitled to redeem their shares at a price which is calculated so as to attribute to all the deferred 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; or

(ii) on a winding up, the assets attributable to the deferred 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.

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

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

	Share options	Deferred shares
Expected life of options based on options exercised to date	3 years	5 years
Volatility of share price	30%	30%
Dividend yield	0%	0%
Risk free interest rate	5.38%	5.38%
Share price at date of grant	50p	35p
Exercise price	50p	35p
Fair value per option	£0.08	£0.07

The charge calculated for the year ended 30 June 2008 is £182,000 with a corresponding deferred tax asset at that date of £51,000.

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

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS continued
For the year ended 30 June 2008

8. Share capital continued
A reconciliation of option movements over the year ended 30 June 2008 is shown below:

	Number 000's	Exercise price
Outstanding at 30 June 2008 and 30 June 2007	1,160	50p
Exercisable at 30 June 2008	**–**	**–**

There were no options granted or lapsed during the year.

At 30 June 2008 outstanding options granted over 10p ordinary shares were as follows:

Share option scheme	Option price	Number	Dates exercisable
Company unapproved	50p	1,160,000	28 Mar 10 to 27 Mar 17

9. Reserves

	Share premium £'000	Profit and loss account £'000
At 30 June 2007	45,184	627
Issue of shares	–	–
Issue expenses	–	–
Retained loss for the year	–	(4,940)
Employee share based compensation	–	182
At 30 June 2008	**45,184**	**(4,131)**

10. Capital commitments
The Company had no outstanding capital commitments at 30 June 2008 or 30 June 2007.

11. Contingent liabilities
There were no contingent liabilities for the Company at 30 June 2008 or 30 June 2007.

12. Reconciliation of movements in shareholders' funds

	2008 £'000	2007 £'000
(Loss)/profit for the year	**(4,940)**	548
Issue of shares	**–**	57,422
Purchase of own shares	**(366)**	–
Share based compensation	**182**	44
Net (decrease)/increase in shareholders' funds	**(5,124)**	58,014
Opening shareholders' funds	**62,027**	4,013
Closing shareholders' funds	**56,903**	62,027

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company (the 'Annual General Meeting') will be held at 11.00 a.m. on 26 November 2008 at the offices of KBC Peel Hunt Limited at 111 Old Broad Street, London EC2N 1PH for the purpose of considering and, if thought fit, passing the following resolutions 1, 2, 3, 4, 5 and 7 as ordinary resolutions and resolutions 6 and 8 as special resolutions of the Company:

Ordinary business:

1. THAT the audited accounts of the Company for the financial year ended 30 June 2008 and the Directors' report and auditors' report on those accounts be received and adopted.
2. THAT Grant Thornton UK LLP be appointed auditors of the Company to hold office from the conclusion of the Annual General Meeting until the conclusion of the next general meeting at which audited accounts are laid and to authorise the Directors to fix their remuneration.
3. THAT Stephen Wicks be re-appointed as a Director of the Company in accordance with the Articles of Association of the Company.
4. THAT Nishith Malde be re-appointed as a Director of the Company in accordance with the Articles of Association of the Company.

Special business:

As an ordinary resolution:

5. THAT in substitution for all existing authorities under that section, the Directors be and they are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 ('the Act') to exercise all the powers of the Company to allot, grant options over, offer or otherwise deal with or dispose of any relevant securities (as defined in Sections 80(2) of the Act) of the Company up to a maximum aggregate nominal amount of £5,405,000, or 33.33% of the current issued share capital or, if less, the authorised but unissued share capital from time to time to such persons, at such times and generally on such terms and conditions as the Directors (subject to the Articles of Association of the Company from time to time) in their absolute discretion may determine during the period commencing on the date of the passing of this resolution and expiring (unless previously renewed, varied or revoked by the Company in general meeting) 15 months from the date of the passing of this resolution or, of earlier, on the conclusion of the next annual general meeting of the Company save that the Company may make an offer or agreement which would or might require relevant securities to be allotted after the expiry of this authority and the Directors may allot relevant securities pursuant to such an offer or agreement as if the authorities hereby conferred had not expired.

As a special resolution:

6. THAT in substitution for all existing authorities and subject to the passing of resolution 5 above, the Directors be and they are hereby empowered, pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the authority conferred by resolution 5 above as if Section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited:
   (a) to the allotment of equity securities where the equity securities respectively attributable to the interests of all relevant shareholders are proportionate (as nearly as may be) to the respective numbers of shares held by them on the record date for such allotment subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of any regulatory body or stock exchange in, any territory; or
   (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities for cash up to an aggregate nominal amount not exceeding £1,621,500 or 10% of the current issued share capital from time to time, and shall expire on the conclusion of the next annual general meeting of the Company or 15 months after the passing of this resolution, whichever is earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement after such expiry as if the power conferred hereby had not expired.

As an ordinary resolution:

7. THAT the principal terms (as defined in section 536(4) Companies Act 2006) produced to the Annual General Meeting and initialled by the chairman of the Annual General Meeting for the purpose of identification of a liability limitation agreement (as defined in section 534 Companies Act 2006) for the financial period beginning 1 July 2008 proposed to be entered into by the Company and Grant Thornton UK LLP be and are hereby approved.

As a special resolution:

8. THAT new articles of association in the form of the draft to be tabled to the Annual General Meeting, initialled by the Chairman for the purpose of identification, be adopted in substitution for the Company's existing articles of association.

By order of the Board

Nishith Malde
Company Secretary
31 October 2008

Registered Office
Trinity Court
Batchwood Island
Church Street
Rickmansworth, Herts.
WD3 1RT

NOTICE OF ANNUAL GENERAL MEETING continued

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy(ies) to attend, speak and vote on his behalf. A proxy need not be a member of the Company.
2. To be effective, the instrument appointing a proxy and any authority under which it is executed (or a notarially certified copy of such authority) must be deposited at the offices of the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 11.00 a.m. on 24 November 2008. A form of proxy is enclosed with this notice. Completion and return of the form of proxy will not preclude shareholders from attending, speaking and voting in person at the Annual General Meeting.
3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by using the procedures described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
4. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (formerly CRESTCo's) specifications and must contain the information required for such instructions, as described in the CREST manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Capita Registrars (ID RA 10) by no later than 11.00 a.m. on 24 November, 2008. No such message received through the CREST network after this time will be accepted. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the registrars are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
5. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.
6. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. Copies of (i) all Directors' service contracts or, where any such contract is not reduced to writing, a memorandum of the terms thereof; (ii) the principal terms of the liability limitation agreement for the financial period beginning 1 July 2008 proposed to be entered into by the Company and Grant Thornton UK LLP (referred to in resolution 7); and (iii) a copy of the memorandum and articles of association of the Company together with the articles showing the proposed changes, will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays and public holidays excluded) from the date of this notice until the date of the Annual General Meeting and at the offices of KBC Peel Hunt Limited, 111 Old Broad Street, London EC2N 1PH for at least 15 minutes prior to and at the Annual General Meeting.
8. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of securities of the Company at 6.00 p.m. on 24 November 2008 shall be entitled to attend and vote at the Annual General Meeting (or, if the Annual General Meeting is adjourned, 6.00 p.m. on the date being two days prior to the date fixed for the adjourned meeting) in respect of the number of Ordinary Shares registered in their name at the time. Changes to entries on the relevant register of securities after 6.00 p.m. on the relevant date shall be disregarded in determining the right of any person to attend or vote at the Annual General Meeting.

EXPLANATORY NOTES OF PRINCIPAL CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION

1. Articles which duplicate statutory provisions
Provisions in the current articles which replicate provisions contained in the Companies Act 2006 are in the main amended to bring them into line with the Companies Act 2006. Certain examples of such provisions include provisions as to the form of resolutions, the variation of class rights and provisions regarding the period of notice required to convene general meetings. The main changes made to reflect this approach are detailed below.

2. Form of resolution
The current articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being amended as the concept of extraordinary resolutions has not been retained under the Companies Act 2006.

3. Convening extraordinary and annual general meetings
The provisions in the current articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions in the Companies Act 2006. In particular a general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required. The term 'extraordinary general meeting' has also been replaced by the new term 'general meeting'.

4. Votes of members
Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the current articles proxies are only entitled to vote on a poll. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. Multiple corporate representatives may also be appointed. The proposed articles reflect all of these new provisions.

5. Age of directors on appointment
As a provision limiting the age at which a director can be appointed could now fall foul of the Employment Equality (Age) Regulations 2006, the provision in the current articles providing for no retirement on account of age is unnecessary so has been removed from the proposed articles.

6. Conflicts of interest
The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The proposed articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position with respect to conflicts arising on or after 1 October 2008.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the success of the company for the benefit of its members as a whole. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the new articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers to authorise conflicts are operated effectively.

EXPLANATORY NOTES OF PRINCIPAL CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION continued

7. Notice of board meetings
Under the current articles, when a Director is abroad he can request that notice of directors' meetings are sent to him at a specified address and if he does not do so he is not entitled to receive notice while he is away. This provision has been removed, as modern communications mean that there may be no particular obstacle to giving notice to a director who is abroad. It has been replaced with a more general provision that a director is treated as having waived his entitlement to notice unless he supplies the company with the information necessary to ensure that he receives notice of a meeting before it takes place.

8. Directors' indemnities and loans to fund expenditure
The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme. In addition, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies.

9. Electronic and website communications
The current articles contain provisions of the Companies Act 2006 which came into force in January 2007 to enable companies to communicate with members electronically and/or via a company's website. These provisions were enacted in order to facilitate communications with shareholders as well as to enable companies to adopt a more environmentally friendly approach to sending documents to shareholders. The new articles continue to allow communications to members in electronic form and they also permit the company to take advantage of the new provisions relating to website communications. Before the company can communicate with a member by means of website communication, the relevant member must be asked by the company to agree that the company may send or supply documents or information to him by means of a website and/or by email, and the company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. A letter seeking consent to the company sending or supplying documents and information to members via its website and/or by email is enclosed with this document. The company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

10. Generally the opportunity has been taken to bring clearer language into the proposed articles and in some areas to conform the language of the proposed articles.

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