Inlandplc

ANNUAL REPORT AND ACCOUNTS 2009

CORPORATE STATEMENT

INLAND PLC IS A LEADING BROWNFIELD REGENERATION SPECIALIST. WE RECOGNISE THE SIGNIFICANT IMPACT OUR ACTIVITIES CAN HAVE ON THE ENVIRONMENT AND THE COMMUNITIES IN WHICH WE WORK.

WE BELIEVE THAT MANAGING THESE ACTIVITIES RESPONSIBLY BRINGS LONG TERM BENEFITS TO OUR SHAREHOLDERS AS WELL AS OUR OTHER STAKEHOLDERS.

AT THE HEART OF OUR BUSINESS IS THE PRINCIPLE OF SUSTAINABILITY – THE NEED TO CONSERVE SCARCE RESOURCES FOR THE BENEFIT OF FUTURE GENERATIONS.

HIGHLIGHTS

FINANCIAL HIGHLIGHTS

- Revenue £5.22m (2008: £11.01m)
- Operating loss before exceptional costs £3.93m (2008: operating profit £0.71m)
- Exceptional costs before tax £5.22m (2008: £4.78m)
- Pre-tax loss £10.47m (2008: £4.19m)
- Inventories £41.66m (2008: £47.68m)
- Net asset value per share 24.90p (2008: 32.88p)

OPERATIONAL HIGHLIGHTS

- 25 plots sold in the year
- Acquired RAF West Drayton with joint venture partner
- Landbank owned (including West Drayton) has potential for over 2,000 homes and substantial commercial development
- Deferred payments either completed or renegotiated
- Current annual rental income of £726,000
- Overheads reduced by 8.3%
- Small pilot scheme of potential build out of some of the landbank ready for sales launch
- Further equity raised from shareholders

CHAIRMAN'S STATEMENT

We have one of the most attractive landbanks in the southeast of England and are currently reviewing how best to achieve the greatest return on these assets for our shareholders.

INTRODUCTION

These results come on the back of a vicious downturn in both the general economic climate and the housebuilding industry unlike any other in recent history. The effect on the housing market has been further exacerbated due to the severe constraints in the availability of credit.

The results for the year ended 30 June 2009 show an operating loss before exceptional costs of £3.93m (2008: operating profit before exceptional costs £0.71m) and a loss before tax of £10.47m (2008: £4.19m). In line with others in the sector, it has been necessary to make a substantial writedown in the carrying value of our landbank of £3.80m (2008: £4.78m). In addition, in the interests of prudence the Board has decided to make a full provision amounting to £1.43m against the carrying value of our associate company which like many other housebuilders has also been significantly affected by the current downturn in the sector. We have also written off a significant amount of the deferred tax asset due to the fall in value of our site in Poole.

OPERATIONS

The year has been one where we have concentrated on preserving cash and as a consequence we did not acquire any new sites in our own right. Our focus has been in securing planning consents on the sites in our landbank many of which have now been obtained on appeal. I am pleased to report that during the year we obtained residential planning consents on eleven sites for 296 plots and 100,000 sq ft of commercial space. The varied and attractive nature of our land portfolio has meant that although there was a general view that no-one was buying land with planning consent, we managed to sell five sites and two properties during the year generating £4.51m of cashflow through the most difficult times that the industry has had to face, albeit that a number of the sales were achieved at values below those that had been originally anticipated.

As reported in the interim statement, the master planning process on our joint venture RAF West Drayton has progressed well and we anticipate submitting a planning application within the next few weeks for approximately 775 residential units and 65,000 sq ft of commercial space that will include a primary healthcare centre, a pharmacy and an 80 bed care home. The joint venture agreement with our partner has been varied whereby in the event of a change of control of Inland PLC prior to receipt of planning consent, our partner will be entitled, at any time during the period of 60 business days following the date of the change of control, to terminate the joint venture. In return for agreeing to this variation Inland has the ability to charge management fees to the joint venture company of up to £2.5m. To date, Inland's investment in the project amounts to £250,000.

WE ARE NOW IN A POSITION TO MOVE THE BUSINESS FORWARD FROM AN APPROPRIATE BASE AND IF CURRENT CONDITIONS PERSIST WE DO NOT ENVISAGE FURTHER WRITE DOWNS OF OUR LANDBANK BEING REQUIRED.

Our current land portfolio comprises approximately 2,080 residential plots and 290,000 sq ft of commercial space. Consent has been secured on 690 residential plots. The Board believes that on a fully consented basis the residential element of our land portfolio would have a gross development value of approximately £420m, including West Drayton.

Inland's original objective was to obtain planning consent on the sites it acquired before selling them to housebuilders at a profit, having added significant value through the planning process. In the current climate, in order to maximise the value from some of our sites the Board is exploring the prospect of building out some of the sites either as principals or by way of joint ventures. As part of this evaluation the Board has selected two sites and accordingly we have developed our site in Byfleet, Surrey as principals and the marketing campaign for the 14 two bedroom apartments will be launched shortly. The construction of this project has been substantially funded by way of senior debt provided by a merchant bank and secured on the development. We have also commenced construction of a showhouse complex at Queensgate, Farnborough where Inland will develop part of the 370 consented plots, again by utilising senior debt finance secured against the development. In recent weeks there has been a noticeable increase in interest from housebuilders in our landbank and the Board still expects to sell certain of our sites to generate cash where we receive offers that match our expectations.

The Board notes that in recent weeks, a number of the major housebuilders have announced fund raisings in order to facilitate further investment in their respective businesses including land purchases.

FINANCIAL SUMMARY

During the year ended 30 June 2009, the Group generated revenue of £5.22m of which £4.51m was achieved by way of land sales and £0.71m from rental and other income. The current annualised rental income amounts to £726,000 including £72,000 at RAF West Drayton. Overheads have been strictly controlled and were reduced by £184,000 over the previous year.

As referred to above, due to deteriorating market conditions, we have made a write down of £3.80m in the carrying value of our land portfolio and we have taken a full provision against the carrying value of our investment in associate of £1.43m as an exceptional cost.

The Board do not recommend the payment of a dividend.

Net assets at 30 June 2009 stood at £40.38m (2008: £53.32m) representing 24.9p per share at that date. Bank borrowings at the year end amounted to £6.57m equating to gearing of 16.3%. The Group's revolving credit facility of £10m with the Royal Bank of Scotland expires on 15 December 2009 and initial discussions have already commenced with the bank and the Board has a reasonable expectation for the facility to be renewed. A number of our sites were purchased on deferred consideration terms and we successfully renegotiated the terms on four sites so that the payments were managed in line with our cash flow. As at the date of this report the outstanding deferred considerations amounts to £9.50m of which £3.50m is due in the current financial year and the balance in the following financial year.

During July 2009, under the authority granted at the last Annual General Meeting, the Board issued 12,665,000 shares at 10p per share raising further equity of £1.27m.

OUTLOOK

There are some signs that whilst weak, the market is stabilising and our immediate task will be to capitalise on the value of our substantial and well located landbank. We are now in a position to move the business forward from an appropriate base and if current conditions persist we do not envisage further write downs of our landbank being required. The Board remains cautiously optimistic that provided conditions do not deteriorate further an early return to profitability will now be achieved.

TERRY ROYDON
CHAIRMAN

CHIEF EXECUTIVE'S REVIEW

31 acre RAF West Drayton site

Queensgate, Farnborough
a 24.5 acre site with planning permission for 399 residential properties and 110,000 sq ft of commercial space

This has been an intensely difficult year following the sharp decline in the UK housing market and the onslaught of a banking crisis that has severely restricted the availability of credit to both developers and their customers.

The focus over the last year has been very much on control and generation of cash and the renegotiation of the timing of deferred land payments. Some of these renegotiations were very demanding but I am pleased to say we were successful on all counts and outstanding land creditors have been reduced from £23.8m at June 2008 to £9.5m at the date of these financial statements. This was achieved within a landscape where banks were not really open for business and as stated in our Interim Report we signed up to a bank facility of £10m which fell far short of our original expectations. As a result we had to work hard to achieve the sale of five sites and two properties during the second half of the financial year, which helped maintain cash flow. As referred to in the Chairman's Statement, the revolving credit facility of £10m is due to expire on 15 December 2009 and we are already in discussions with our bank for its renewal. I am confident that the facility will be renewed prior to its current expiry date.

Our small team of only nine has worked tirelessly over the last period under difficult circumstances for which I am extremely grateful; whilst the focus is on the Group's property assets sometimes it is easy to overlook the considerable value of our staff. I believe our team is one of the best in our industry and we also have a superb compliment of consultants working alongside us which enable us to achieve attractive planning consents in a generally very hostile planning environment.

As set out in the Chairman's Statement considerable effort has gone into the preparation of the planning application for RAF West Drayton; our joint venture project. Over the last twelve months our Land Director, Paul Brett has led a team of over 20 consultants in the preparation of this very complex planning application. The detailed master planning of this site has been subject to intense negotiation with the planners such that we believe we now have broad agreement to our proposals from London Borough of Hillingdon and once the application has been submitted in October 2009 we anticipate a consent being granted in spring 2010.

UNDER CURRENT CONDITIONS WE ARE OPTIMISTIC THAT AN EARLY RETURN TO PROFITABILITY AND ASSET GROWTH WILL BE ACHIEVED.

Inland's stated net asset value does not reflect the potential value of this project. I believe that this will be a very significant profit centre for Inland in the future and thus enhance shareholders' funds.

This project which has been renamed 'Drayton Garden Village' is one of the largest brownfield developments in the London area and will have considerable 'green credentials' including combined heat and power, traffic-free home zones and spacious amenity areas.

Our landbank comprises of 16 sites, all of which are within easy reach from London and situated in appealing locations. The majority of the planning consents are for houses as opposed to apartments, which is where the demand is stronger. The value of our portfolio has been affected significantly due to the severe fall in house prices, but thankfully we are beginning to see some stabilisation in the market.

The focus going forward for the foreseeable future will be based on the following strategy:

- → No further land purchases unless we have a joint venture partner to underwrite the project using our planning skills to maximise the project.
- → Joint ventures with major housebuilders or investors where development on our land is funded by those parties.
- → Maintaining and increasing where possible our commercial rental income (currently at circa £726,000 per annum).
- → A selective 'build out' of some of our land bank subject to satisfactory funding being available.

Despite the difficult market conditions that have been experienced the fundamentals of our business remain sound, land with planning permission in attractive locations remains a very scarce commodity.

Most of the major quoted housebuilders have recapitalised their balance sheets and we are seeing renewed interest in land purchases from these parties. Under current conditions we are optimistic that an early return to profitability and asset growth will be achieved.

STEPHEN WICKS
CHIEF EXECUTIVE

DIRECTORS AND ADVISERS

1. **Terry Roydon, Non-executive Chairman (aged 62)** holds a BSc in Estate Management from the University of London and a Masters in Business Administration from the University of Pittsburgh. He was previously chief executive of Prowting PLC, a UK housebuilder, which he led to flotation on the London Stock Exchange in 1988. The company was subsequently purchased by Westbury PLC in June 2002 for £140m. Since 1998, Mr Roydon has been a consultant and member of the board of Dom Development S.A., a major quoted Polish residential developer, together with a number of non-executive and consultancy positions in the UK and continental housebuilding companies, including holding non-executive board positions with AIM quoted Engel East Europe N.V., Country & Metropolitan PLC (until 2005), Gladedale Holdings PLC (until March 2007) and McCann Homes Holdings Limited. From 1995 to 1997 he was president of the European Union of House Builders and Developers.

2. **Stephen Wicks, Chief Executive (aged 58)** was the founding shareholder and chief executive of Country & Metropolitan PLC, which floated on the main market of the London Stock Exchange in December 1999 with a market capitalisation of £6.9m. He directed the growth of Country & Metropolitan PLC until its disposal in April 2005 to Gladedale Holdings PLC for approximately £72m. Mr Wicks has worked in the construction and housebuilding sector all of his working life and has extensive knowledge of local and national policies on both greenfield and brownfield sites.

3. **Nishith Malde, Finance Director (aged 51)** 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 also on the board of Energiser Investments PLC, an AIM listed company.

4. **Simon Bennett, Non-executive Director (aged 51)** 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 Energiser Investments PLC and a number of other private companies.

COMPANY REGISTRATION NUMBER
5482990

COMPANY SECRETARY
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DIRECTORS' REPORT

The Directors present their report and the financial statements of the Group and the Company for the year ended 30 June 2009.

PRINCIPAL ACTIVITY

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

RESULTS AND DIVIDENDS

The trading results for the year are set out in the Group Income Statement on page 14 and the Group's financial position at the end of the year is set out in the Group Statement of Financial Position 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 3. The Group's key performance indicators are turnover, profit before tax, net assets per share and the number of plots with and without planning consent. These indicators are monitored closely by the Board and the details of performance against these are given in the Chairman's Statement.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

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

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

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

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

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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 on the following page.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

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 equity and bank borrowings. The Group controls the exposure to interest rate fluctuations by ensuring that the level of gearing is maintained at a reasonable level.

CREDIT RISK

The Group's principal financial asset is trade receivables. The Group trades with counterparties after having considered their credit rating. In certain circumstances the Group may seek additional security.

CAPITAL RISK MANAGEMENT

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

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

Consistent with others in the industry, the Group monitors capital in relation to overall financing. Further information can be found in Note 27 to the 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 2009 were as follows:

	As at 30 June 2009		As at 30 June 2008	
	Number of ordinary shares	**Number of deferred shares**	Number of ordinary shares	Number of deferred shares
S D Wicks	**21,050,009**	**490**	20,125,009	490
N Malde	**8,524,000**	**392**	8,174,000	392
T Roydon	**150,000**	**—**	150,000	—
S Bennett	**50,000**	**—**	—	—

On 9 July 2009, Mr S D Wicks acquired 710,000 ordinary shares and the trustees of his personal pension fund acquired 290,000 ordinary shares in the Company. On 30 July 2009 the trustees of his personal pension fund acquired a further 85,000 ordinary shares.

On 9 July 2009, 1,000,000 ordinary shares in the Company, were acquired by the trustees of Mr N Malde's personal pension fund.

On 9 July 2009, Mr T Roydon acquired 100,000 ordinary shares in the Company.

Mr T Roydon and Mr S Bennett are retiring by rotation in accordance with the Company's Articles of Association and have offered themselves for re-election.

DIRECTORS' EMOLUMENTS

The remuneration of the individual Directors was:

	Salary/fees £000	Benefits £000	Pension £000	**2009 Total £000**	2008 Total £000
Executive Directors					
S D Wicks	290	29	—	**319**	324
N Malde	242	25	48	**315**	323
Non-executive Directors					
T Roydon	30	—	—	**30**	30
S Bennett	25	—	—	**25**	25

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 5 October 2009, the Company was aware of the following holdings in addition to those of the Directors discussed above, of 3% or more of the nominal value of the Company's shares:

Name	Shareholding	%
Karoo Investment Fund SCA SICAV SIF	22,700,000	12.99
M H Dixon	11,100,000	6.35
A K Brett	10,500,000	6.01
Henderson Global Investors Limited	10,098,143	5.78
Brookwell Limited	9,235,000	5.28
Lehman Brothers International (Europe)	7,460,000	4.27
Unique Limited	5,652,329	3.23

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 £17,000 (2008: £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 2009 the Group had an average of 52 days' (2008: 14 days') purchases outstanding in trade payables.

CORPORATE GOVERNANCE

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

BOARD COMPOSITION

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

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

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

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

AUDIT COMMITTEE

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

Since 30 June 2008 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 system of internal control on an ongoing basis. Annual budgets are prepared and detailed management reports are presented to the Board and used to monitor financial performance and compliance with the Group's policies and procedures. All controls are covered including financial and operational controls to manage risk. The Board meetings are also used to consider the Group's major risks.

RELATIONS WITH SHAREHOLDERS

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

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

INTERNAL AUDIT

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

GOING CONCERN

The Board has reviewed the performance for the current year and forecasts for the future period. It has also considered the risks and uncertainties, including credit risk and liquidity. The Directors have also considered the current economic climate and in particular the current state of the housing market and its effect on the market for land. The Group has recently seen an increase in enquiries for land from prospective purchasers which should improve the prospects of its potential liquidity. The Group's revolving credit facility of £10m with the Royal Bank of Scotland expires on 15 December 2009 and initial discussions have already commenced with the bank for the facility to be renewed. The Board has a reasonable expectation for the facility to be renewed and has formed a judgement that the Group has adequate resources to continue as a going concern for at least the next twelve months from the date of signing 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 to prepare Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare parent company financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

→ select suitable accounting policies and then apply them consistently

→ make judgements and estimates that are reasonable and prudent

→ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements

→ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

DIRECTORS' REPORT CONTINUED

DIRECTORS' RESPONSIBILITIES CONTINUED

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

In so far as each of the Directors is aware:

→ there is no relevant audit information of which the Company's auditor is unaware; and

→ the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

POST BALANCE SHEET EVENTS

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

ANNUAL GENERAL MEETING

The Notice covering the AGM together with the proposed resolutions is contained in the document accompanying this report. The AGM will be held on 26 November 2009.

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

NISHITH 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 2009 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Group Statement of Changes in Equity, the Group Statement of Cash Flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the Group financial statements:

→ give a true and fair view of the state of the Group's affairs as at 30 June 2009 and of its loss for the year then ended;

→ have been properly prepared in accordance with IFRSs as adopted by the European Union; and

→ have been prepared in accordance with the requirements of the Companies Act 2006.

SEPARATE OPINION IN RELATION TO IFRSs

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

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

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

→ certain disclosures of Directors' remuneration specified by law are not made; or

→ we have not received all the information and explanations we require for our audit.

OTHER MATTER

We have reported separately on the parent company financial statements of Inland PLC for the year ended 30 June 2009.

JAMES ROGERS
SENIOR STATUTORY AUDITOR
FOR AND ON BEHALF OF GRANT THORNTON UK LLP
STATUTORY AUDITOR, CHARTERED ACCOUNTANTS
SLOUGH
22 OCTOBER 2009

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

		2009			2008		
	Note	**Before exceptional costs £000**	**Exceptional costs (Note 5) £000**	**£000**	Before exceptional costs £000	Exceptional costs (Note 5) £000	£000
Revenue		**5,219**	**—**	**5,219**	11,006	—	11,006
Cost of sales	6	**(5,434)**	**(3,798)**	**(9,232)**	(6,565)	(4,783)	(11,348)
Gross (loss)/profit		**(215)**	**(3,798)**	**(4,013)**	4,441	(4,783)	(342)
Administrative expenses	6	**(2,024)**	**—**	**(2,024)**	(2,208)	—	(2,208)
– loss on investments		**(1,689)**	**—**	**(1,689)**	(1,525)	—	(1,525)
Operating (loss)/profit		**(3,928)**	**(3,798)**	**(7,726)**	708	(4,783)	(4,075)
Finance cost – interest expense	8	**(491)**	**—**	**(491)**	(103)	—	(103)
Finance cost – notional interest	8	**(847)**	**—**	**(847)**	(1,455)	—	(1,455)
Finance income – interest receivable and similar income	9	**247**	**—**	**247**	1,427	—	1,427
		(5,019)	**(3,798)**	**(8,817)**	577	(4,783)	(4,206)
Share of (loss)/profit of associate		**(224)**	**—**	**(224)**	17	—	17
Impairment of investment in associate		**—**	**(1,426)**	**(1,426)**	—	—	—
(Loss)/profit before tax		**(5,243)**	**(5,224)**	**(10,467)**	594	(4,783)	(4,189)
Income tax	10	**137**	**(2,360)**	**(2,223)**	317	—	317
(Loss)/profit for the year		**(5,106)**	**(7,584)**	**(12,690)**	911	(4,783)	(3,872)
Attributable to:							
Equity holders of the Company				**(12,690)**			(3,872)
Loss per share for loss attributable to the equity holders of the Company during the year							
– basic	11			**(7.83)p**			(2.39)p

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2009

	Note	**2009 £000**	2008 £000
Loss for the year	22	**(12,690)**	(3,872)
Other comprehensive income:			
– loss on available-for-sale financial assets	22	**(409)**	(4,397)
Other comprehensive income for the year, net of tax		**(409)**	(4,397)
Total comprehensive income for the year		**(13,099)**	(8,269)

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

GROUP STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2009

	Note	**2009 £000**	2008 £000
ASSETS			
Non-current assets			
Investment property	12	**8,801**	8,801
Property, plant and equipment	12	**81**	87
Investments	13	**250**	825
Investment in associate	13	**—**	756
Available-for-sale financial assets	14	**—**	3,064
Deferred tax	15	**4,456**	6,741
Total non-current assets		**13,588**	20,274
Current assets			
Inventories	16	**41,656**	47,683
Trade and other receivables	17	**3,698**	4,752
Loan to associate	18	**2,000**	475
Listed investments held for trading (carried at fair value through profit and loss)	19	**471**	842
Cash and cash equivalents	20	**72**	4,600
Total current assets		**47,897**	58,352
Total assets		**61,485**	78,626
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	21	**16,216**	16,216
Share premium account	22	**45,184**	45,184
Treasury shares	22	**(366)**	(366)
Retained earnings	22	**(15,848)**	(3,317)
Other reserves	22	**(4,806)**	(4,397)
Total equity		**40,380**	53,320
LIABILITIES			
Current liabilities			
Bank loans and overdrafts		**6,566**	—
Trade and other payables	23	**1,923**	2,697
Other financial liabilities	24	**7,975**	14,040
Total current liabilities		**16,464**	16,737
Non-current liabilities			
Other financial liabilities	24	**4,641**	8,569
Total non-current liabilities		**4,641**	8,569
Total liabilities		**21,105**	25,306
Total equity and liabilities		**61,485**	78,626

The financial statements were approved by the Board of Directors on 22 October 2009.

STEPHEN WICKS
CHIEF EXECUTIVE

NISHITH MALDE
FINANCE DIRECTOR

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

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2009

	Share capital £000	Share premium £000	Treasury shares £000	Retained earnings £000	Other reserves £000	Total £000
At 30 June 2007	16,216	45,184	—	373	—	61,773
Share based payment	—	—	—	182	—	182
Purchase of own shares	—	—	(366)	—	—	(366)
Transactions with owners	—	—	(366)	182	—	(184)
Loss attributable to shareholders	—	—	—	(3,872)	—	(3,872)
Other comprehensive income:						
– fair value adjustment in respect of available for sale financial assets	—	—	—	—	(4,397)	(4,397)
Total comprehensive income for the year	—	—	—	—	(4,397)	(4,397)
At 30 June 2008	16,216	45,184	(366)	(3,317)	(4,397)	53,320
Share based payment	—	—	—	159	—	159
Transactions with owners	—	—	—	159	—	159
Loss attributable to shareholders	—	—	—	(12,690)	—	(12,690)
Other comprehensive income:						
– fair value adjustment in respect of available for sale financial assets	—	—	—	—	(409)	(409)
Total comprehensive income for the year	—	—	—	—	(409)	(409)
At 30 June 2009	**16,216**	**45,184**	**(366)**	**(15,848)**	**(4,806)**	**40,380**

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

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

	Note	**2009 £000**	2008 £000
Cash flows from operating activities			
Loss for the year before tax		**(10,467)**	(4,189)
Adjustments for:			
– depreciation	12	**34**	25
– share based compensation		**159**	182
– fair value adjustment for listed investments		**513**	1,863
– profit on disposal of tangible fixed assets		**(1)**	—
– loss/(profit) on disposal of listed investments		**1,176**	(338)
– interest expense		**1,338**	1,558
– interest and similar income		**(247)**	(1,427)
– share of profit of associate		**223**	(17)
– impairment of investment in associate		**1,426**	—
– tax received/(paid)		**206**	(454)
Changes in working capital (excluding the effects of acquisition):			
– decrease/(increase) in inventories		**6,027**	(8,892)
– increase in trade and other receivables		**(634)**	(202)
– decrease in trade and other payables		**(11,644)**	(5,807)
Net cash outflow from operating activities		**(11,891)**	(17,698)
Cash flow from investing activities			
Interest received		**179**	1,115
Dividends received		**19**	302
Sale of tangible fixed assets		**12**	—
Purchases of property, plant and equipment	12	**(39)**	(133)
Equity investment in associate		**—**	(359)
Convertible loan stock in associate		**—**	—
Purchase of investments		**(422)**	(15,396)
Purchase of own shares		**—**	(366)
Sale of investments		**1,511**	8,859
Acquisition of subsidiary, net of cash acquired		**—**	(11,267)
Net cash used in investing activities		**1,260**	(17,245)
Cash flow from financing activities			
Interest paid		**(463)**	(91)
Bank loans repaid		**—**	(3,204)
Net cash from financing activities		**(463)**	(3,295)
Net decrease in cash and cash equivalents		**(11,094)**	(38,238)
Net cash and cash equivalents at beginning of period		**4,600**	42,838
Net cash and cash equivalents at the end of the period		**(6,494)**	4,600
Cash and cash equivalents		**72**	4,600
Bank loans and overdraft		**(6,566)**	—
		(6,494)	4,600

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

1. ACCOUNTING POLICIES

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

BASIS OF PREPARATION

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

The accounting policies that have been applied in the opening 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 2009.

A new standard, IAS 1 (Revised) Presentation of Financial Statements has become mandatory for reporting periods beginning on 1 January 2009 or later. The Group has elected to adopt this Standard early in its 2009 Group financial statements and its adoption does not affect the financial position or profits of the Group but gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged, however items that were recognised in equity are now recognised in the Group Statement of Comprehensive Income. The first time application of IAS 1 has not resulted in any prior year adjustments of cash flows, net income or balance sheet line items. IAS 1 affects the presentation of owner changes in equity and introduces a 'Group Statement of Comprehensive Income'. In accordance with the new Standard the Group does not present a 'Statement of Recognised Income and Expenses' but instead a 'Group Statement of Changes in Equity' is presented.

STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

- IAS 23 Borrowing Costs (revised 2007) (effective 1 January 2009)
- Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective 1 January 2009)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective 1 July 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)
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective 1 July 2009)
- Group Cash-settled Share-based Payment Transactions – Amendment to IFRS 2 (effective 1 January 2010)
- Amendment to IFRS 7 Financial Instruments: Disclosures – Improving Disclosures About Financial Instruments (effective 1 January 2009)
- Improvements to IFRSs 2008 (effective 1 January 2009 other than certain amendments effective 1 July 2009)
- Improvements to IFRSs 2009 (various effective dates, earliest of which is 1 July 2009, but mostly 2010)
- IFRS 3 Business Combinations (Revised 2008) (effective 1 July 2009)
- IFRS 8 Operating Segments (effective 1 January 2009)
- 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)
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective 1 July 2009)
- IFRIC 18 Transfers of Assets from Customers (effective prospectively for transfers on or after 1 July 2009)

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.

BASIS OF CONSOLIDATION

The Group's financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 30 June 2009. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

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

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

1. ACCOUNTING POLICIES CONTINUED

GOING CONCERN

The Board has reviewed the performance for the current year and forecasts for the future period. It has also considered the risks and uncertainties, including credit risk and liquidity. The Directors have also considered the current economic climate and in particular the current state of the housing market and its effect on the market for land. The Group has recently seen an increase in enquiries for land from prospective purchasers which should improve the prospects of its potential liquidity. The Group's revolving credit facility of £10m with the Royal Bank of Scotland expires on 15 December 2009 and initial discussions have already commenced with the bank for the facility to be renewed. The Board has a reasonable expectation for the facility to be renewed and has formed a judgement that the Group has adequate resources to continue as a going concern for at least the next twelve months from the date of signing the financial statements.

ASSOCIATES

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

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

Items that have been recognised directly in the associate's equity are recognised in 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.

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

DIVIDENDS

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

EXCEPTIONAL ITEMS

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

PROPERTY, PLANT AND EQUIPMENT

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2009

1. ACCOUNTING POLICIES CONTINUED

DISPOSAL OF ASSETS

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

DEPRECIATION

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

Fixtures and fittings	–	25%
Office equipment	–	25%
Motor vehicles	–	25%

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

INVESTMENT PROPERTY

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

INVENTORIES

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

IMPAIRMENT TESTING OF PROPERTY, PLANT AND EQUIPMENT

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

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

TAXATION

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

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

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

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

1. ACCOUNTING POLICIES CONTINUED

LEASED ASSETS

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

EMPLOYEE BENEFITS

DEFINED CONTRIBUTION PENSION SCHEME

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

EQUITY SETTLED SHARE-BASED PAYMENT

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

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

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

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

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

FINANCIAL ASSETS

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

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

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

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

All 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 other Comprehensive Income when they are sold or when the investment is impaired. In the case of impairment, any loss previously recognised in equity is transferred to other Comprehensive Income.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2009

1. ACCOUNTING POLICIES CONTINUED

FINANCIAL LIABILITIES

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

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

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

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

CASH AND CASH EQUIVALENTS

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

DIVIDENDS

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

EQUITY

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

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

	2009 £000	2008 £000
Classes of financial assets – carrying amounts		
Available-for-sale financial assets	**—**	3,064
Listed investments held for trading	**471**	842
Loan to associate	**2,000**	475
Cash and cash equivalents	**72**	4,600
Trade and other receivables	**3,698**	5,538
	6,241	14,519

2. FINANCIAL RISK MANAGEMENT CONTINUED

FINANCIAL RISK FACTORS CONTINUED

(A) CREDIT RISK CONTINUED
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 Group Statement of Financial Position either as available for sale or at fair value through profit or loss.

For the listed equity securities, an average volatility of 15% has been observed during the year ended 30 June 2009. If the quoted stock price of these securities had increased or decreased by that amount, the net result for the year would have been increased/reduced by £71,000 (2008: £508,000). Equity would have changed by £71,000 (2008: £508,000). 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 2009, the Group is organised into one business segment in one geographical area consequently there is no segmental information presented in these Group financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

CRITICAL ACCOUNTING ESTIMATES

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

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

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

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

(C) FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS
The fair value of instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2009

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

CRITICAL ACCOUNTING ESTIMATES CONTINUED

(D) INVESTMENT PROPERTIES

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

(E) DISCOUNTING 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. 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 (Howarth) as an associate, as the Company has significant influence over Howarth through Board representation and participation in policy making.

5. EXCEPTIONAL COSTS

The Group conducted a review of the net realisable value of its landbank 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 £3.798m (2008: £4.783m).

Due to the current downturn in the housing market, our associate company, Howarth has suffered significant losses and the Directors have taken the view that the carrying value of the investment in Howarth, both by way of equity and convertible loan has been permanently impaired and have therefore provided £1.426m (2008: £nil) against this investment.

Upon the acquisition of Poole Investments PLC, the fair value of the consideration was allocated to the assets in the appropriate category. One of these categories was deferred tax of £6.23m. As a result of the substantial fall in the housing market the anticipated taxable profit has reduced significantly and accordingly £2.36m of deferred tax has been written off as an exceptional cost.

6. EXPENSES BY NATURE

	2009 £000	2008 £000
Depreciation (Note 12)	**34**	25
Operating lease rentals	**47**	40
Auditor's remuneration:		
– audit	**33**	33
– non-audit (tax services)	**9**	44
Cost of sales	**9,232**	11,348
Other expenses	**1,901**	2,066
Total	**11,256**	13,556
Classified as:		
– cost of sales	**9,232**	11,348
– administrative expenses	**2,024**	2,208
	11,256	13,556

Included within Revenue is rental income from investment property of £667,000 (2008: £389,000).

7. DIRECTORS AND EMPLOYEES

The employee benefit expense during the year was as follows:

	2009 £000	2008 £000
Wages and salaries	**1,032**	1,120
Social security costs	**126**	138
Pension costs – defined contribution plans	**71**	67
	1,229	1,325

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

	2009 Number	2008 Number
Management	**3**	4
Administration	**8**	7
	11	11

Remuneration in respect of Directors was as follows:

	2009 £000	2008 £000
Emoluments	**587**	602
Fees	**55**	51
Pension costs – defined contribution plans	**48**	45
Share based payment	**136**	136
	826	834

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:

	2009 £000	2008 £000
Emoluments	**319**	324
Share based payment	**75**	75
	394	399

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

	2009 £000	2008 £000
Emoluments	**238**	330
Pension costs – defined contribution plans	**15**	15
Share based payment	**23**	42
	276	387

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2009

8. FINANCE COST

	2009 £000	2008 £000
Interest expense:		
– bank borrowings	**491**	103
– notional interest on deferred consideration	**847**	1,455
	1,338	1,558

9. FINANCE INCOME

	2009 £000	2008 £000
Effective interest on loan stock	**7**	10
Other interest receivable	**208**	281
Bank interest receivable	**13**	834
Dividends receivable from listed investments	**19**	302
	247	1,427

10. INCOME TAX

	2009 £000	2008 £000
Corporation tax charge	**—**	5
Adjustments in respect of prior year	**—**	(206)
Tax credit on associate's loss	**(62)**	—
Deferred tax charge/(credit)	**2,285**	(571)
Deferred tax asset written off after initial recognition in respect of Poole Investments PLC	**—**	400
Change in tax rate	**—**	55
	2,223	(317)

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:

	2009 £000	2008 £000
Loss before tax	**(10,467)**	(4,189)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008: 29.5%)	**(2,931)**	(1,236)
Expenses not deductible for tax purposes	**19**	7
Non utilisation of tax losses	**2,775**	442
Change in rate of tax	**—**	55
Other differences	**—**	17
Initial recognition of Poole Investments PLC	**—**	400
Previous losses no longer expected to be utilised	**2,360**	—
Losses carried back	**—**	204
Adjustment in respect of prior periods	**—**	(206)
Tax charge/(credit)	**2,223**	(317)

11. LOSS PER SHARE

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

	2009	2008
Loss attributable to equity holders of the Company (£000)	**(12,690)**	(3,872)
Weighted average number of ordinary shares in issue (000)	**162,150**	162,150
Basic loss per share in pence	**(7.83)p**	(2.39)p

12. PROPERTY, PLANT AND EQUIPMENT

	Investment property £000	Motor vehicles £000	Fixtures and fittings £000	Office equipment £000	Total £000
Cost					
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
Disposals	—	(27)	—	—	(27)
Additions	—	15	—	24	39
At 30 June 2009	**8,801**	**49**	**37**	**56**	**142**
Depreciation					
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
Depreciation charge	—	16	9	9	34
Disposals	—	(16)	—	—	(16)
At 30 June 2009	**—**	**13**	**23**	**25**	**61**
Net book value					
At 30 June 2009	**8,801**	**36**	**14**	**31**	**81**
At 30 June 2008	8,801	48	23	16	87

All freehold property is stated at valuation.

The Investment property was valued by Edward Symmons & Partners in August 2006 in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. Investment property continues to be held by the Group for long-term investment. 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 2009 as noted in Poole Investments PLC's financial statements is £1,252,000 (2008: £1,252,000).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2009

13. INVESTMENTS

	Associate £000	Equity in convertible loans £000	Convertible loan at fair value £000	Investment in joint venture £000	Total £000
Cost or fair value					
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
Notional interest adjustment	—	—	7	—	7
Share of loss of associate	(162)	—	—	—	—
Impairment of investment in associate	(594)	(39)	(793)	—	(832)
Additions	—	—	—	250	250
At 30 June 2009	**—**	**—**	**—**	**250**	**250**
Net book value					
At 30 June 2009	**—**	**—**	**—**	**250**	**250**
At 30 June 2008	756	39	786	—	825

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

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

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

(a) £350,000 of these notes are convertible into 10% on 30 days' notice between 1 October 2006 to 31 July 2009.

(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.

Due to the current downturn in the housing market, Howarth has suffered significant losses and the Directors have taken the view that the carrying value of the investment in Howarth, both by way of equity and convertible loan has been permanently impaired and have therefore provided in full against the investment.

At 30 June 2009 the Company held or potentially held 10% or more of the equity of the following:

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

Investment in associate includes goodwill of £42,000 which has been impaired in full during the year.

13. INVESTMENTS CONTINUED

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

Name	Country of incorporation	Assets £000	Liabilities £000	Revenue £000	Loss after tax £000	% held
Howarth Homes PLC	England & Wales	4,051	1,867	1,864	(162)	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 2009 to account for its share of results.

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	£000
At 1 July 2008	3,064
Disposal	(2,320)
Provision	(408)
Transferred to listed investments held for trading	(336)
At 30 June 2009	**—**

The available-for-sale financial assets have been transferred to listed investments held for trading due to the strategic change in the nature of this holding.

15. DEFERRED TAX

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

	£000
At 1 July 2008	6,741
Income statement credit	(2,285)
At 30 June 2009	**4,456**

The movement in deferred tax assets is as follows:

	Accelerated tax depreciation £000	Losses £000	Other £000	Total £000
At 1 July 2008	(3)	5,936	808	6,741
Previous losses no longer recognised	—	(2,360)	—	(2,360)
Charged/(credited) to income statement	(1)	8	68	75
At 30 June 2009	**(4)**	**3,584**	**876**	**4,456**

The deferred tax asset is recoverable as follows:

	2009 £000	2008 £000
Deferred tax asset to be recovered after twelve months	**4,456**	6,741

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 £8,223,000 (2008: £2,527,000) that can be carried forward against future taxable income.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2009

16. INVENTORIES

	2009 £000	2008 £000
Stock and work in progress	**41,656**	47,683

During the year a total of £9,232,000 (2008: £11,348,000) of inventories was included in the Group Income Statement as an expense.

The Group conducted a review of the net realisable value of its carrying values of its land in 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 Group Statement of Financial Position, the Group has impaired the land values. This has resulted in an exceptional impairment of £3,798,000. Included in the value of inventories above is £20.0m (2008: £17.0m) which is carried at fair value less costs to sell (net realisable value). The amount of inventories pledged as security against borrowings and instalments due on land is £41.7m (2008: £47.7m).

17. TRADE AND OTHER RECEIVABLES

	2009 £000	2008 £000
Corporation tax recoverable	**—**	206
Prepayments	**92**	52
Other	**3,606**	4,494
	3,698	4,752

Other receivables includes an amount of £2.7m due from Howarth 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. No trade receivables are considered to be impaired. 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.

18. LOAN TO ASSOCIATE

	2009 £000	2008 £000
Advances to associate	**2,000**	475

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

19. LISTED INVESTMENTS HELD FOR TRADING

	£000
At 1 July 2008	842
Additions	172
Transferred from available-for-sale financial assets	336
Sales:	
– proceeds	(398)
– realised gains	32
Unrealised losses	(513)
At 30 June 2009	**471**

20. CASH AND CASH EQUIVALENTS

	2009 £000	2008 £000
Cash at bank and in hand	**72**	4,600

The Group has a revolving facility of £10m secured by way of a debenture and legal charges over some of its property assets.

21. SHARE CAPITAL

	2009 £000	2008 £000
Authorised		
239,990,000 (2008: 239,990,000) ordinary shares of 10p each	**23,999**	23,999
1,000 (2008: 1,000) redeemable shares of £1 each	**1**	1
	24,000	24,000

	2009 £000	2008 £000
Allotted, issued and fully paid		
162,150,079 (2008: 162,150,059) ordinary shares of 10p each	**16,215**	16,215
980 (2008: 1,000) redeemable shares of £1 each	**1**	1
180 (2008: nil) deferred shares of 10p each	**—**	—
	16,216	16,216

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

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

(i) on a takeover (including a takeover effected by a scheme of arrangement) the holders of the redeemable shares will become entitled to redeem their shares at a price which is calculated so as to attribute to all the redeemable shares the difference between the takeover offer price per share and 35p (or such other sum as is agreed with HM Revenue & Customs) multiplied by 11,350,504; or

(ii) on a winding up, the assets attributable to the redeemable shares will likewise be calculated to be such amount as would represent the difference between the amount attributable to each ordinary share and 35p (or such other sum as is agreed with HM Revenue & Customs) multiplied by 11,350,504.

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

An employee that held 20 redeemable shares of £1 each left the Company on 25 November 2008 and as a result, on 9 December 2008 these shares were converted into 20 fully paid ordinary shares of 10p each and 180 fully paid deferred shares of 10p each in accordance with the Articles of Association.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2009

21. SHARE CAPITAL CONTINUED

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

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	Redeemable 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 2009 is £159,000 with a corresponding deferred tax asset at that date of £44,000.

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

A reconciliation of option movements over the year ended 30 June 2009 is shown below:

	Number 000s	Exercise price pence
Outstanding at 30 June 2008	1,160	50p
Lapsed during the year	(300)	50p
Outstanding at 30 June 2009	**860**	**50p**
Exercisable at 30 June 2009	**—**	**—**

There were no options granted during the year.

At 30 June 2009 outstanding options granted over 10p ordinary shares were as follows:

Share option scheme	Option price pence	Number	Dates exercisable
Company unapproved	50p	860,000	28 March 2010 to 27 March 2017

22. MOVEMENT ON RESERVES

	Share premium £000	Treasury shares £000	Profit and loss account account £000	Other reserves £000
At 1 July 2008	45,184	(366)	(3,317)	(4,397)
Loss for the year	—	—	(12,690)	—
Share based compensation	—	—	159	—
Loss on available-for-sale financial assets	—	—	—	(409)
At 30 June 2009	**45,184**	**(366)**	**(15,848)**	**(4,806)**

23. TRADE AND OTHER PAYABLES

	2009 £000	2008 £000
Trade payables	**819**	735
Social security and other taxes	**195**	1,689
Accruals and deferred income	**909**	273
	1,923	2,697

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

24. OTHER FINANCIAL LIABILITIES

	2009 £000	2008 £000
Deferred purchase consideration on inventories falling due within one year	**7,975**	14,040
Deferred purchase consideration on inventories falling due:		
– between one and two years	**4,641**	4,179
– between two and three years	**—**	4,390
	12,616	22,609

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.

25. CONTINGENCIES

The Group had a contingent liability whereby upon the sale of the investment property, a payment of £550,000 is due to two parties. No provision has been made in these financial statements in respect of this contingent liability.

26. COMMITMENTS

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

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

	2009 £000	2008 £000
Expiring in one year	**2**	—
Expiring after one year and within two years	**—**	47
Expiring after two years and within five years	**344**	8
	346	55

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2009

27. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

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

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

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

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

	2009 £000	2008 £000
Equity	**40,380**	53,320
Less: cash and cash equivalents	**(72)**	(4,600)
Capital	**40,308**	48,720

	2009 £000	2008 £000
Equity	**40,380**	53,320
Borrowings	**6,566**	—
Overall financing	**46,946**	53,320
Capital to overall financing	**85.9%**	91.4%

The Group has honoured its covenant obligations imposed on its bank borrowings. The reduction in the rate of capital to overall financing in 2009 is primarily a result of increased borrowings and is considered to be at a respectable level.

28. FINANCIAL ASSETS AND LIABILITIES

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

	Note	**2009 £000**	2008 £000
Financial assets			
Available-for-sale financial assets	14	**—**	3,064
Listed investments held for trading	19	**471**	842
Loans and receivables			
Loan to associate	18	**2,000**	475
Trade and other receivables	17	**3,698**	5,538
Cash and cash equivalents	20	**72**	4,600
		5,770	10,613
Financial liabilities			
Financial liabilities designated at fair value through profit or loss:			
– current borrowings		**6,566**	—
Financial liabilities measured at amortised cost			
Non-current liabilities:			
– other financial liabilities	24	**4,641**	8,569
Current:			
– trade and other payables	23	**1,923**	2,697
– other financial liabilities	24	**7,975**	14,040
		9,898	16,737

The fair values are presented in the related notes.

28. FINANCIAL ASSETS AND LIABILITIES CONTINUED

Current borrowings are principally bank loans and amounts drawn under a revolving credit facility of £10m. The borrowings are secured against the Group's inventories (see Note 16) and the investment property. Interest is charged at between 3% and 6% above LIBOR. The revolving credit facility is due for renewal by 15 December 2009.

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

	2009		2008	
	Bank loans and overdrafts £000	**Deferred purchase consideration £000**	Bank loans and overdrafts £000	Deferred purchase consideration £000
Less than one year	**6,566**	**7,975**	—	13,815
Between one and two years	**—**	**5,000**	—	10,000
	6,566	**12,975**	—	23,815

29. RELATED PARTY TRANSACTIONS

As at 30 June 2009 there was an amount due from Howarth amounting to £2,000,000. This is included within loan to associate and is in respect of a rolling facility provided to Howarth for a maximum balance of £2,000,000. The balance outstanding attracts interest of 4% above the National Westminster Bank plc base rate. The interest received from Howarth for the year ended 30 June 2009 amounted to £200,000. The amount of interest outstanding at the year end was £49,000 and this amount is included in trade and other receivables.

During the year ended 30 June 2008, the Group sold some land to Howarth on an arm's length basis for £3.65m. At 30 June 2009, £2.7m of this sum remained outstanding and by the date of signing these accounts this sum had been reduced to £312.000.

During the year ended 30 June 2009, Howarth carried out construction work on sites owned by the Group. The total amount charged on an arm's length basis by Howarth for this work was £796,000.

On 11 April 2008 Howarth contracted to purchase a site for a total consideration of £7.5m of which £3m has been paid to the date of these accounts. Inland PLC has provided a guarantee for the total consideration.

As part of the placing of shares on 9 July 2009 (as referred to in Note 21) the Company received the following monies by 30 June 2009 in respect of the following Directors' subscriptions:

	£
T Roydon	10,000
S D Wicks	100,000
N Malde	100,000
	210,000

This amount is included within trade and other payables.

During the year the Group incurred fees from SLR Consulting Limited (an environmental consultancy) of £114,000 (2008: £161,000) a subsidiary of SLR Holdings Limited. The company is related by the fact that N Malde was a director of SLR Holdings Limited during the year ended 30 June 2009.

30. JOINT VENTURE

During the year the Group entered into a joint venture with a third party to promote and manage the planning and development or sale of the site in West Drayton, Middlesex in return for a minimum profit share of 35% of the net profit. The Group will be entitled to charge management fees of up to £2.5m which will form part of the profit share. The Group paid £250,000 for an option to purchase the shares of the joint venture company for £1. The option may be extended annually for a further period in consideration for the payment of sums specified in the agreement.

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

	2009 £000	2008 £000
Net assets	**—**	—
Net result	**—**	—

31. COMPANY INFORMATION

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

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

REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS OF INLAND PLC

We have audited the parent company financial statements of Inland PLC for the year ended 30 June 2009 which comprise the parent company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR
As explained more fully in the Directors' Responsibilities Statement in the Directors' Report, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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

OPINION ON FINANCIAL STATEMENTS
In our opinion the parent company financial statements:

- → give a true and fair view of the state of the Company's affairs as at 30 June 2009;
- → have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- → have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- → adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- → the parent company financial statements are not in agreement with the accounting records and returns; or
- → certain disclosures of Directors' remuneration specified by law are not made; or
- → we have not received all the information and explanations we require for our audit.

OTHER MATTER
We have reported separately on the Group financial statements of Inland PLC for the year ended 30 June 2009.

JAMES ROGERS
SENIOR STATUTORY AUDITOR
FOR AND ON BEHALF OF GRANT THORNTON UK LLP
STATUTORY AUDITOR, CHARTERED ACCOUNTANTS
SLOUGH
22 OCTOBER 2009

COMPANY BALANCE SHEET

AT 30 JUNE 2009

	Note	**2009 £000**	2008 £000
Fixed assets			
Investments	5	**12,421**	16,843
Deferred tax		**95**	51
		12,516	16,894
Current assets			
Debtors	6	**48,962**	34,662
Listed investments		**471**	842
Cash at bank and in hand		**—**	4,639
		49,433	40,143
Creditors: amounts falling due within one year	7	**(8,810)**	(134)
Net current assets		**40,623**	40,009
Total assets less liabilities		**53,139**	56,903
Capital and reserves			
Called up share capital	8	**16,216**	16,216
Share premium	9	**45,184**	45,184
Treasury shares	9	**(366)**	(366)
Profit and loss account	9	**(7,895)**	(4,131)
Shareholders' funds		**53,139**	56,903

The financial statements on pages 37 to 42 were approved by the Board of Directors on 22 October 2009 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 FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

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 date on an undiscounted basis.

2. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the parent company has not presented its own profit and loss account.

The Company's loss for the year of £3,923,000 (2008: profit of £4,940,000) has been transferred to reserves.

AUDITOR'S REMUNERATION

The audit fees for the Company were £5,000 (2008: £5,000). Auditor's remuneration for other services is disclosed in Note 6 to the Group 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 financial statements since the Group financial statements of Inland PLC are required to disclose non-audit fees on a consolidated basis.

3. EMPLOYEES

Staff costs during the year were as follows:

	2009 £000	2008 £000
Share based payment	**159**	182

The average number of employees (including directors) during the year was:

	2009 Number	2008 Number
Management	**3**	4
Administration	**8**	7
	11	11

4. DIRECTORS' REMUNERATION

See Note 7 of the Group 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 2008	12,421	7,460	559	800	21,240
Sales proceeds	—	(1,113)	—	—	(1,113)
Transferred to current asset listed investments	—	(5,140)	—	—	(5,140)
Loss on disposal	—	(1,207)	—	—	(1,207)
At 30 June 2009	**12,421**	**—**	**559**	**800**	**13,780**
Amortisation					
At 1 July 2008	—	4,397	—	—	4,397
Provision	—	408	—	—	408
Impairment of investment in associate	—	—	559	800	1,359
Transferred to current asset listed investments	—	(4,805)	—	—	(4,805)
At 30 June 2009	**—**	**—**	**559**	**800**	**1,359**
Net book amount to 30 June 2009	**12,421**	**—**	**—**	**—**	**12,421**
Net book amount to 30 June 2008	12,421	3,063	559	800	16,843

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

Due to the current downturn in the housing market, Howarth has suffered significant losses and the Directors have taken the view that the carrying value of the investment in Howarth, both by way of equity and convertible loan has been permanently impaired and have therefore provided in full against the investment.

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2009

6. DEBTORS

	2009 £000	2008 £000
Amounts owed by Group undertakings	**46,867**	34,180
Loan to associate	**2,000**	475
Other debtors	**95**	7
	48,962	34,662

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £000	2008 £000
Bank loans and overdraft	**8,114**	—
Trade creditors	**50**	89
Amount owed to Group undertakings	**58**	—
Accruals	**588**	45
	8,810	134

8. SHARE CAPITAL

	2009 £000	2008 £000
Authorised		
239,990,000 ordinary shares of 10p each	**23,999**	23,999
1,000 (2008: £1,000) redeemable shares of £1 each	**1**	1
	24,000	24,000

	2009 £000	2008 £000
Allotted, issued and fully paid		
162,150,079 (2008: 162,150,059) ordinary shares of 10p each	**16,215**	16,215
980 (2008: 1,000) redeemable shares of £1 each	**1**	1
180 (2008: nil) deferred shares of 10p each	**—**	—
	16,216	16,216

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

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

(iii) on a takeover (including a takeover effected by a scheme of arrangement) the holders of the redeemable shares will become entitled to redeem their shares at a price which is calculated so as to attribute to all the redeemable shares the difference between the takeover offer price per share and 35p (or such other sum as is agreed with HM Revenue & Customs) multiplied by 11,350,504; or

(iv) on a winding up, the assets attributable to the redeemable shares will likewise be calculated to be such amount as would represent the difference between the amount attributable to each ordinary share and 35p (or such other sum as is agreed with HM Revenue & Customs) multiplied by 11,350,504.

8. SHARE CAPITAL CONTINUED

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

An employee that held 20 redeemable shares of £1 each left the Company on 25 November 2008 and as a result, on 9 December 2009 these shares were converted into 20 fully paid ordinary shares of 10p each and 180 fully paid deferred shares of 10p each in accordance with the Articles of Association.

On 9 July 2009, the Company issued 5,280,000 ordinary shares of 10p each at a price of 10p per share. On 30 July 2009, the Company issued 7,385,000 ordinary shares of 10p each at a price of 10p per share.

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 redeemable 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	Redeemable 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 2009 is £159,000 with a corresponding deferred tax asset at that date of £44,000.

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

A reconciliation of option movements over the year ended 30 June 2009 is shown below:

	Number 000s	Exercise price
Outstanding at 30 June 2008	1,160	50p
Lapsed during the year	(300)	50p
Outstanding at 30 June 2009	860	50p
Exercisable at 30 June 2009	—	—

There were no options granted or lapsed during the year.

At 30 June 2009 outstanding options granted over 10p ordinary shares were as follows:

Share option scheme	Option price	Number	Dates exercisable
Company unapproved	50p	860,000	28 March 2010 to 27 March 2017

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2009

9. RESERVES

	Share premium £000	Treasury shares £000	Profit and loss account £000
At 30 June 2008	45,184	(366)	(4,131)
Retained loss for the year	—	—	(3,923)
Employee share based compensation	—	—	159
At 30 June 2009	**45,184**	**(366)**	**(7,895)**

10. CAPITAL COMMITMENTS

The Company had no outstanding capital commitments at 30 June 2009 or 30 June 2008.

11. CONTINGENT LIABILITIES

There were no contingent liabilities for the Company at 30 June 2009 or 30 June 2008.

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2009 £000	2008 £000
Loss for the year	**(3,923)**	(4,940)
Purchase of own shares	**—**	(366)
Share based compensation	**159**	182
Net decrease in shareholders' funds	**(3,764)**	(5,124)
Opening shareholders' funds	**56,903**	62,027
Closing shareholders' funds	**53,139**	56,903

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 11.00am on 26 November 2009 at the offices of Inland PLC 2 Anglo Office Park, 67 White Lion Road, Amersham, Bucks HP7 9FB for the purpose of considering and, if thought fit, passing the following resolutions 1, 2, 3, 4 and 5 as ordinary resolutions and resolution 6 as a special resolution of the Company:

ORDINARY BUSINESS:

1. THAT the audited financial statements of the Company for the financial year ended 30 June 2009 and the Directors' Report and Auditor's Report on those financial statements be received and adopted.
2. THAT Grant Thornton UK LLP be appointed auditor of the Company to hold office from the conclusion of this Meeting until the conclusion of the next general meeting at which audited financial statements are laid and to authorise the Directors to fix their remuneration.
3. THAT Terry Roydon be re-appointed as a Director of the Company in accordance with the Articles of Association of the Company.
4. THAT Simon Bennett be re-appointed as a Director of the Company in accordance with the Articles of Association of the Company.

SPECIAL BUSINESS:

5. As an ordinary resolution:

THAT in substitution for all existing authorities, the Directors be and they are hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 ('the Act') to exercise all the powers of the Company to allot, grant rights to subscribe for, or to convert any security into, offer or otherwise deal with or dispose of shares in the Company up to a maximum aggregate nominal amount of £1,748,150 or 10% of the current issued 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, if 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.

6. As a special resolution:

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 570 of the Companies Act 2006 ('the Act') to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by resolution 5 above as if Section 561(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 £1,748,150 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.

BY ORDER OF THE BOARD

NISHITH MALDE
COMPANY SECRETARY
22 OCTOBER 2009

Registered office:
2 Anglo Office Park
67 White Lion Road
Amersham
Bucks HP7 9FB

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 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 11.00am on 24 November 2009. A form of proxy is enclosed with this notice. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the Meeting.
3. Copies of all Directors' service contracts or, where any such contract is not reduced to writing, a memorandum of the terms thereof, 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 Meeting and at the offices of Inland PLC, 2 Anglo Office Park, 67 White Lion Road, Amersham, Bucks HP7 9FB for at least 15 minutes prior to and at the Meeting.
4. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a Annual General Meeting of the Company.
5. A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box on your proxy form. If you sign and return your proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.
6. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. In the event of a conflict between a blank proxy form and a proxy form which states the number of shares to which it applies, the specific proxy form shall be counted first, regardless of whether it was sent or received before or after the blank proxy form, and any remaining shares in respect of which you are the registered holder will be apportioned to the blank proxy form. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you should contact Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.
7. To direct your proxy how to vote on the resolutions mark the appropriate box on your proxy form with an 'X'. To abstain from voting on a resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
8. In the case of a member which is a company, your proxy form must be executed under its common seal or signed on its behalf by a duly authorised officer of the company or an attorney for the company.
9. Any power of attorney or any other authority under which your proxy form is signed (or a duly certified copy of such power or authority) must be included with your proxy form.
10. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
11. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members entered on the register of members of the Company at 6.00pm on 24 November 2009 or, in the event that this meeting is adjourned, in the register of members as at 6.00pm on the day two days before the date of any adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their names at that time. Changes to the entries on the register of members by the close of business on 24 November 2009 or, in the event that this meeting is adjourned, in the register of members before the close of business on the day two days before the date of the adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
12. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.
13. Any member attending the meeting has the right to ask questions. The Company has to answer any questions raised by members at the meeting which relate to the business being dealt with at the meeting unless:
    - to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
    - the answer has already been given on a website in the form of an answer to a question, or;
    - it is undesirable in the interests of the Company or the good order of the meeting to answer the question.
14. Under Section 338 of the Companies Act 2006, members meeting the threshold requirements in that section have the right to require the Company to give members notice of a resolution which may properly be moved and is intended to be moved at that meeting. A resolution can be properly moved unless (i) the resolution would not, if passed, be effective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); or (ii) the resolution is defamatory of any person or is frivolous or vexatious.
15. Under Section 338A of the Companies Act 2006, members meeting the threshold requirements in that section have the right to require the Company to include in the business to be dealt with at the Meeting a matter (other than a proposed resolution) which may properly be included in the business unless (i) it is defamatory of any person; or (b) it is frivolous or vexatious.
16. 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 to be held at 11.00am on 26 November 2009 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 should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.

    In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent, Capita Registrars Limited (CREST Participant ID: RA10), no later than 48 hours before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

    CREST members and, where applicable, their CREST sponsor or voting service provider should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. 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, to procure that his CREST sponsor or voting service provider takes) 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 sponsor or voting service provider are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

designed and produced by
the design portfolio
marketing services.
www.design-portfolio.co.uk

INLAND PLC
2 Anglo Office Park
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