



Inlandplc

Interim Report for the six months ended 31 December 2007



.....more appetising sites uncovered

creative thinking in brownfield regeneration

Inlandplc

“Inland is a dynamic residential and mixed use development company specialising in navigating our complex planning system to maximise the value of land, creating substantial environmental improvements and excellent returns for our shareholders”



Ashford Hospital



Ashford Hospital



Amersham Road, Hazelmere



Amersham Road, Hazelmere

Highlights

- 🔗 Demand for land with an attractive planning consent remains strong
- 🔗 Development pipeline approximately 1,470 plots with a gross development value of circa £361m
- 🔗 Our associate company, Howarth continues to perform in line with our expectations
- 🔗 Planning application being prepared for our site at Poole



Poole



Minet Drive, Hayes



Howe Dell School



Former dairy, Reigate

Chairman's Statement

Inland plc is pleased to announce its interim results for the six months ended 31st December 2007.

It has been a very busy and highly productive six months for Inland. We have continued to add to our land bank and expect the sale of a number of our land assets to take place in the second half of the financial year.

Introduction

It has been a very busy and highly productive six months for Inland. We have continued to add to our land bank and expect the sale of a number of our land assets to take place in the second half of the financial year. Our land team has been extremely active submitting planning applications on a number of schemes. Whilst this process continues to be challenging due to over complicated planning legislation, we remain confident in maintaining our strong track record of producing high quality development stock for house builders.

Inland continues to identify good land opportunities and the current land bank that is owned, controlled or where offers have been agreed comprise of 24 sites representing approximately 1,470 residential plots with a gross development value of approximately £361m. The Group also has consents for commercial development amounting to some 125,000 sq ft with a gross development value of £15m.

Results

In line with our own internal budgets the Group did not dispose of any land assets during the six months ended 31 December 2007. The Group showed a loss before taxation for the period of £1.18m (2006: profit £1.01m). However, conditional contracts have

been exchanged subject to discharging a planning condition for the sale of 24 residential plots, following a successful planning application on our site at Hatfield for £3.65m. This leaves Inland with a listed commercial building on this site comprising 13,000 sq ft, which will be placed on the open market shortly. We anticipate a profit of approximately £900,000 on the sale of the entire site. Terms have been agreed for the sale of our site in Borehamwood which has planning consent for 14 residential plots.

We have gained planning consent in October 2007 at our major site in Farnborough for 399 residential units and approximately 100,000 sq ft of commercial space. We are now in the process of submitting a further planning application for 42 residential units to improve the overall residential density to 441 plots. We anticipate there will be further opportunities to increase this in due course. The main spine road through the site, which is being constructed by Segro plc at their expense, is progressing well and once completed it will further enhance the appeal and value of the site. The annual rental income from the site now stands at £295,000. We are very pleased with the progress at Farnborough which demonstrates the ability of the management team to identify large scale land opportunities, obtain valuable planning permissions and create significant shareholder value.

Chairman's Statement continued

Since the last year end we have continued to increase our land bank and our stocks and work in progress amounts to £52.0m (2006: £38.8m). In addition we acquired Poole Investments plc which has an investment property that has been reflected at a fair value of £8.8m. The increase in our land acquisition has reduced our cash balances at 31 December 2007 to £11.7m.

Basic loss per share was 0.75p (2006: Earnings per share 1.49p). The Group did not disclose a diluted loss per share as the share options issued to the employees did not have a dilutive effect.

The increase in stocks and work in progress means that we now have 21 sites owned and where purchase contracts have been unconditionally exchanged at 31 December 2007. These sites represent a gross development value of £345m with the benefit of planning consent. Since 31 December 2007, the Group has also acquired or agreed terms to purchase 3 sites which can accommodate 51 residential plots with a gross development value of approximately £16m with the benefit of planning consent. Planning applications have been submitted on a further 10 sites for 345 residential plots.

The acute shortage of land with planning consent is a continuing problem for house builders and the sales referred to above demonstrates the demand for sites in good locations with well thought through planning consent. In spite of the current weakness in the housing market, the long term dynamics relating to the supply and demand for housing remains unchanged, with the demand for land with planning consent remaining strong in the areas in which we operate.

We believe that the current slowdown is presenting us with some excellent buying opportunities and whilst planning remains very difficult the consents we obtain

are structured to meet the requirements of house builders with the right product mix, location and the ability to effect an immediate start on site.

Planning

The UK planning system continues to languish in the dark ages when it comes to facing the challenge of producing the required levels of housing stock. Planning authorities remain understaffed and over worked and the over zealous drive by government for house builders to provide greater quantities of social housing will ensure demand in the long term will outstrip supply. With an increasing amount of all new build earmarked for social housing, house builders are no longer being incentivised to meet government targets.

Corporate activity and investments

The Group completed the acquisition of the remaining 10% of Poole on 3 January 2008 and our land team is progressing with plans for a mixed use scheme to enhance the value of the site in Lower Hamworthy in Dorset. As we stated at the time of the acquisition, this site represents an outstanding opportunity for Inland to maximise the return on our investment, once a satisfactory planning consent has been obtained.

On 19 December 2007, the Company announced that it owned 3.03% of M J Gleeson PLC which is held as a strategic investment.

In January 2008 the Group also increased its investment in Howarth Homes PLC ("Howarth") by acquiring a further 5% of the issued share capital for a consideration of £357,000. During the six months to 31 January 2008, Howarth made a profit before tax of £1.09m and whilst, in line with other house builders, trading conditions have become more challenging, the management team at Howarth has been strengthened by the appointment of a new finance director, technical

director and a sales and marketing director. We have every confidence that these additions to the Howarth management team, who have particular experience in volume house building will be invaluable in helping the company through its next period of growth. The company is currently operating from 7 sites with 135 units under construction and has forward sold £20.8m of the current year's residential sales.

Outlook

Over the last few months some of the major house builders have stated that they are not in the market to purchase land unless planning consents are in place. This coupled with the recent tightening of the availability of credit in the banking sector should provide Inland with good opportunities to acquire additional brownfield development sites. We have already seen land opportunities being brought back to us where higher bidders have failed to complete their transactions. We are currently able to re-negotiate better terms than had previously been proposed.

Market indicators would appear to suggest that further falls in interest rates are in the pipeline. This should bring more stability to the housing market. Whilst demand for new homes remains sluggish, the requirement for land with the right planning consent remains strong. We have a strong balance sheet and remain financially flexible and Inland has a real opportunity to take advantage of any weakness in the marketplace as and when they arise.

We have a considerable number of planning applications in the pipeline and believe that the Group's healthy balance sheet and strong land position together with a highly experienced land team provides a positive outlook for the short to medium term.

Terry Roydon
Chairman

Consolidated Income Statement

	Notes	6 months to 31 December 2007 (Unaudited) £000	6 months to 31 December 2006 (Unaudited) £000	Year ended 30 June 2007 (Audited) £000
Revenue	4	169	3,867	5,466
Cost of sales		(7)	(1,810)	(2,603)
Gross profit		162	2,057	2,863
Administrative expenses		(1,020)	(640)	(1,506)
Loss on investments		(673)	–	–
Operating (loss)/profit		(1,531)	1,417	1,357
Interest expense		(30)	(73)	(107)
Notional interest expense		(740)	(513)	(1,265)
Interest and similar income		1,087	198	963
		(1,214)	1,029	948
Share of profit/(loss) of associate		36	(19)	175
(Loss)/profit before taxation		1,178	1,010	1,123
Income tax	5	(41)	(306)	(328)
(Loss)/profit for the period		(1,219)	704	795
(Loss)/earnings per share				
Basic and diluted (loss)/earnings per share in pence	6	(0.75)p	1.49p	0.98p

Consolidated Balance Sheet

	Notes	At 31 December 2007 (Unaudited) £000	At 31 December 2006 (Unaudited) £000	At 30 June 2007 (Audited) £000
ASSETS				
Non-current assets				
Property, plant and equipment	7	8,867	59	65
Investments	8	7,572	1,006	4,156
Investments in associate	8	410	243	385
Deferred tax		6,434	159	393
		23,283	1,467	4,999
Current assets				
Inventories		51,975	27,119	38,791
Trade and other receivables		451	492	2,674
Loan to associate		240	2,270	2,000
Cash and cash equivalents		11,697	4,568	42,838
		64,363	34,449	86,303
Total assets		87,646	35,916	91,302
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	9	16,216	6,212	16,216
Share premium account		45,171	7,635	45,184
Retained earnings		(756)	238	373
Other reserves		(1,242)	6	–
Total equity		59,389	14,091	61,773
LIABILITIES				
Current liabilities				
Trade and other payables		1,447	321	740
Current tax liabilities		599	251	454
Deferred purchase consideration		11,861	4,957	9,202
Borrowings		–	1,700	–
Total current liabilities		13,907	7,229	10,396
Non-current liabilities				
Deferred purchase consideration		14,350	14,596	19,133
Total non-current liabilities		14,350	14,596	19,133
Total liabilities		28,257	21,825	29,529
Total equity and liabilities		87,646	35,916	91,302

Consolidated Statement of Changes in Equity

	Share capital £000	Share premium £000	Retained earnings £000	Other reserves £000	Total £000
At 30 June 2006	3,279	699	(466)	-	3,512
Fair value adjustment in respect of available for sale financial assets	-	-	-	6	6
Net income recognised directly in equity	-	-	-	6	6
Profit attributable to shareholders	-	-	704	-	704
Total recognised income and expense	-	-	704	6	710
Issue of shares	2,933	6,936	-	-	9,869
	2,933	6,936	704	6	10,579
At 31 December 2006	6,212	7,635	238	6	14,091
Share based compensation	-	-	44	-	44
Fair value adjustment in respect of available for sale financial assets	-	-	-	(6)	(6)
Net income recognised directly in equity	-	-	44	(6)	38
Profit attributable to shareholders	-	-	91	-	91
Total recognised income and expense	-	-	135	(6)	129
Issue of shares	10,004	40,407	-	-	50,411
Issue expenses	-	(2,858)	-	-	(2,858)
	10,004	37,549	135	(6)	47,682
At 30 June 2007	16,216	45,184	373	-	61,773
Fair value adjustment in respect of available for sale financial assets	-	-	-	(1,242)	(1,242)
Share based compensation	-	-	90	-	90
Net income recognised directly in equity	-	-	90	(1,242)	(1,152)
Loss attributable to shareholders	-	-	(1,219)	-	(1,219)
Total recognised income and expense	-	-	(1,129)	(1,242)	(2,371)
Issue of shares	-	-	-	-	-
Issue expenses	-	(13)	-	-	(13)
	-	(13)	(1,129)	(1,242)	(2,384)
At 31 December 2007	16,216	45,171	(756)	(1,242)	59,389

Consolidated Cash Flow Statement

Notes	6 months to 31 December 2007 (Unaudited) £000	6 months to 31 December 2006 (Unaudited) £000	Year ended 30 June 2007 (Audited) £000
Cash flows from operating activities			
(Loss)/profit for the period before tax	(1,178)	1,010	1,123
Adjustments for:			
- depreciation	11	6	16
- share based compensation	90	–	44
- fair value adjustment for listed investments	852	–	–
- profit on disposal of listed investments	(179)	–	–
- interest and similar income	(1,087)	(198)	(963)
- interest expense	770	586	1,372
- share of profit of associate	(36)	19	(175)
Changes in working capital (excluding the effects of acquisition):			
- increase in inventories	(13,184)	(26,772)	(39,064)
- increase in trade and other receivables	4,424	(2,300)	(4,212)
- increase in trade and other payables	(3,334)	20,444	29,522
Net cash outflow from operating activities	(12,851)	(7,205)	(12,337)
Investing activities			
Interest received	915	193	946
Dividends received	166	–	11
Purchases of property, plant and equipment	(109)	(29)	(45)
Purchase of listed investments	(8,544)	(186)	(3,342)
Sale of listed investments	3,168	–	–
Acquisition of subsidiary, net of cash acquired	(10,638)	–	–
10			
Net cash used in investing activities	(15,042)	(22)	(2,430)
Financing activities			
Interest paid	(30)	(64)	(107)
Repayments of bank borrowings	(3,205)	(525)	(1,700)
New bank loans raised	–	1,700	1,175
Issue of shares (net of expenses)	(13)	9,869	57,422
Net cash from financing activities	(3,248)	10,980	56,790
Net (decrease)/increase in cash and cash equivalents	(31,141)	3,753	42,023
Cash and cash equivalents at beginning of period	42,838	815	815
Cash and cash equivalents at the end of the period	11,697	4,568	42,838

Notes to the Consolidated Interim Statement

1. Nature of operations and general information

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

Inland PLC is the Group's ultimate parent company. It is incorporated and domiciled in Great Britain. The address of Inland PLC's registered office, which is also its principal place of business, is Trinity Court, Batchworth Island, Church Street, Rickmansworth, Hertfordshire WD3 1RT.

Inland PLC's shares are listed on the Alternative Investment Market on the London Stock Exchange.

This consolidated interim statement have been approved for issue by the Board of Directors on 14 March 2008.

The financial information set out in this interim statement does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The Group's statutory financial statements for the year ended 30 June 2007 have been filed with the Registrar of Companies and is available at www.inlandplc.com. The auditor's report on those financial statements was unqualified and did not contain any statement under Section 237(2) or Section 237(3) of the Companies Act 1985.

2. Basis of preparation

This interim financial report has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

The consolidated interim statement should be read in conjunction with the annual financial statements for the year ended 30 June 2007, which have been prepared in accordance with IFRS as adopted by the European Union.

3. Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2007, as described in those annual financial statements. The following additional accounting policy has been adopted upon the acquisition of Poole Investments PLC:

"The Group measures all of the investment property in accordance with IAS 16's requirements for the cost model, other than those that meet the criteria to be classified as held for sale (or are included as a disposal group that is classified as held for resale)."

Notes to the Consolidated Interim Statement

4. Segment information

	Property trading £000	Investment property £000	Total £000
6 months to 31 December 2007			
Revenue			
Rental income	113	6	119
Management fees	50	–	50
Land sales	–	–	–
Total	163	6	169
Operating (loss)/profit			
Rental income	111	6	117
Management fees	50	–	50
Land sales	(1,698)	–	(1,698)
Total	(1,537)	6	(1,531)
6 months to 31 December 2006			
Revenue			
Rental income	162	–	162
Management fees	300	–	300
Land sales	3,405	–	3,405
Total	3,867	–	3,867
Operating profit			
Rental income	162	–	162
Management fees	300	–	300
Land sales	955	–	955
Total	1,417	–	1,417
Year ended 30 June 2007			
Revenue			
Rental income	268	–	268
Management fees	323	–	323
Land sales	4,875	–	4,875
Total	5,466	–	5,466
Operating profit			
Rental income	263	–	263
Management fees	323	–	323
Land sales	771	–	771
Total	1,357	–	1,357

Notes to the Consolidated Interim Statement

5. Income tax

	6 months to 31 December 2007 (Unaudited) £000	6 months to 31 December 2006 (Unaudited) £000	Year ended 30 June 2007 (Audited) £000
Corporation tax charge	156	251	507
Deferred tax credit	(505)	55	(179)
Deferred tax asset written off after initial recognition in respect of the acquisition of Poole Investments PLC	390	–	–
	41	306	328

6. (Loss)/earnings per share

Basic and diluted

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

	6 months to 31 December 2007 (Unaudited) £000	6 months to 31 December 2006 (Unaudited) £000	Year ended 30 June 2007 (Audited) £000
(Loss)/profit attributable to equity holders of the Company	(1,219)	704	795
Weighted average number of ordinary shares in issue	162,150	47,258	80,944
Dilutive effect of options treated as exercisable at the period end (thousands)	–	–	(96)
	162,150	47,258	80,848
Basic and diluted (loss)/earnings per share in pence	(0.75)p	1.49p	0.98p

Notes to the Consolidated Interim Statement

7. Property, plant & equipment

	Investment property £000	Motor vehicles £000	Fixtures & fittings £000	Office equipment £000	Total £000
Cost					
At 1 July 2007	–	27	29	31	87
Additions	83	17	6	3	109
Acquired upon acquisition of subsidiary	8,704	–	–	–	8,704
At 31 December 2007	8,787	44	35	34	8,900
Depreciation					
At 1 July 2007	–	4	6	12	22
Depreciation charge	–	3	4	4	11
At 31 December 2007	–	7	10	16	33
Net book value					
At 31 December 2007	8,787	37	25	18	8,867
At 30 June 2007	–	23	23	19	65

8. Investments

	Associate £000	Listed investments £000	Equity in convertible loans £000	Loans £000	Total £000
At 1 July 2007	385	3,341	39	776	4,156
Additions	–	8,544	–	–	8,544
Transfer to investment in subsidiary	–	(51)	–	–	(51)
Disposals	–	(2,989)	–	–	(2,989)
Fair value adjustment	–	(2,094)	–	–	(2,094)
Notional interest adjustment	–	–	–	6	6
Share of profit of associate	25	–	–	–	–
At 31 December 2007	410	6,751	39	782	7,572

Notes to the Consolidated Interim Statement

9. Share capital

	6 months to 31 December 2007 (Unaudited) £000	6 months to 31 December 2006 (Unaudited) £000	Year ended 30 June 2007 (Audited) £000
Shares in issue			
Shares in issue at start of period	162,150,059	32,792,866	32,792,866
Shares issued	–	29,329,193	129,357,193
Shares in issue at end of period	162,150,059	62,122,059	162,150,059

10. Acquisition of subsidiary

During the period, the Group acquired the share capital of Poole Investments PLC.

	£000
Purchase consideration:	
- Shares purchased	11,097
- Direct costs relating to the acquisition	214
	11,311

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

	Acquiree's book value £000	Provisional fair value £000
Investment property	6,524	8,704
Debtors	144	144
Cash and cash equivalents	18	18
Creditors & other payables	(572)	(572)
Loans	(3,205)	(3,205)
	2,909	5,089
Deferred tax (tax losses in subsidiary)	–	6,222
Net identifiable assets acquired	2,909	11,311

	£000
Outflow of cash to acquire business, net of cash acquired:	
Cash consideration	11,311
Cash paid in previous period	(51)
Cash consideration and direct costs outstanding at 31 December 2007	(604)
	10,656
Cash and cash equivalents in subsidiary acquired	(18)
Cash outflow on acquisition	10,638

Independent Review Report to Inland PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2007 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and notes 1 to 10 to the consolidated interim statement. We have read the other information contained in the half yearly financial report which comprises only the chairman's statement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in ISRE (UK and Ireland) 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". Our review work has been undertaken so that we might state to the Company those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusion we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors.

As disclosed in Note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2007 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Grant Thornton UK LLP
Chartered accountants
London Thames Valley Office
Slough

14 March 2008

Company Information

Directors	Terry Roydon Stephen Wicks Nish Malde FCA Simon Bennett	Non Executive Chairman Chief Executive Finance Director Non Executive
Secretary	Nish Malde	
Auditor	Grant Thornton UK LLP Churchill House Chalvey Road East Slough Berkshire SL1 2LS	
Bankers	Royal Bank of Scotland Conqueror House Chivers Way Histon Cambridge CB24 9NL	
Solicitors (Property)	GCL Connaught House Alexandra Terrace Guildford Surrey GU1 3DA	
Solicitors (Corporate)	Dorsey & Whitney LLP 21 Wilson Street London EC2M 2TD	
Stockbrokers	KBC Peel Hunt 111 Old Broad Street London EC2N 1PH	
Financial PR	Buchanan Communications 45 Moorfields London EC2Y 9AE	

Inland plc

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