Inlandplc

INTERIM REPORT 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.

KEY PROJECTS

FARNBOROUGH

- → 24.5 acre brownfield site
- → Adjacent to Farnborough Airport
- → Outline planning consent granted for 299 residential units and over 100,000 sq ft of commercial use development

Inland purchased from Defence Estates, the property arm of the Ministry of Defence, the former DERA Centre for Human Sciences site in Farnborough, Hampshire.

An outline planning consent was granted for 399 residential units and over 100,000 sq ft of commercial use development. The first phase of 29 houses for a housing association is now well underway. The second phase of 37 private houses and apartments has now started with a show home opened in February 2010. For more information please visit http://queensgate-farnborough.com/. A planning consent has also been received for an 80 bed nursing home on part of the site.

WEST DRAYTON

- 31 acre brownfield site
- Within a mile of Heathrow Airport
- Outline planning application for 775 new homes, a Primary Healthcare facility, Nursing Home and a variety of commercial premises

Inland is delighted to have acquired with a financial partner the sought after RAF West Drayton site in Middlesex, West London.

Inland has now submitted an outline planning application for 775 new homes, a primary healthcare facility, nursing home and a variety of commercial premises to Hillingdon Council in November 2009 as a result of a lengthy public consultation process with local residents and businesses, using the same suburban residential planning techniques of the 1930s where gardens, trees, hedgerows and green space dominate the landscape.

HIGHLIGHTS

FINANCIAL HIGHLIGHTS

- Revenue £5.29m (2008: £0.35m)
- Operating profit £0.39m (2008: loss £4.24m)
- Pre-tax profit £0.11m (2008: loss £4.95m)
- Net borrowings £8.79m (2008: £6.79m) and bank facility renewed
- Stocks and investment property £50.73m (2008: £54.26m)
- Net assets £41.87m (2008: £47.40m)

OPERATIONAL HIGHLIGHTS

- Sale of 40 plots during the period and a further 105 plots since 31 December 2009
- Planning application at RAF West Drayton was submitted for 775 homes and 55,000 sq ft for employment and community use
- Inland's housebuilding activities now producing sales
- Secured planning consent for 23 residential plots since 1 July 2009

CHAIRMAN'S STATEMENT

INTRODUCTION

2009 was a difficult year for Inland as the housing market suffered severely from rigorous constraints in the availability of credit and further falls in consumer confidence. Despite these challenging trading conditions, during the latter part of the year we began to see confidence returning to the land market in the South East as some of the major housebuilders began to replenish their land banks. We are therefore pleased to report a return to profitability for the period.

The results for the six months ended 31 December 2009 show an operating profit of £0.39m (2008: loss of £4.24m) and a profit before tax of £0.11m (2008: loss of £4.95m) after a notional interest charge of £0.16m (2008: £0.47m).

OPERATIONAL REVIEW

There was a gradual recovery in the housing market at the end of last year, which has continued to remain stable in the first quarter of 2010. However, we expect trading conditions to remain weak due to the lack of availability of mortgage finance for first and second time buyers.

Encouragingly, the larger housebuilders are showing significantly more interest in buying land in order to replenish their dwindling land banks. This trend is mirrored within our own business by the sale of 40 plots during the period and a further 105 plots since 31 December 2009. Of particular note is the sale after the period end of 57 serviced plots to a national housebuilder on our Queensgate, Farnborough site which will generate a net cash inflow of £3.3m after repaying the associated bank debt and discharging financial obligations to the local authority under a Section 106 Agreement. As a result of very low loan to asset values on its land portfolio, Inland generates substantial free cash flow as each land sale is completed.

The planning application on our joint venture project at RAF West Drayton was submitted in October 2009 for 775 homes and 55,000 sq ft of employment and community uses. Negotiations are proceeding well with the relevant London Borough and we are anticipating a planning decision shortly.

On our housebuilding activities, the first development of 14 apartments in Byfleet, Surrey was completed in October 2009 with two legal completions taking place in the period. Since 31 December 2009 we have completed on three further units with three others either exchanged or reserved. We have also presold the freehold reversion to an investor. A further 19 houses and 18 apartments are now under construction at our Queensgate, Farnborough site where a show home was opened recently. Three reservations have been taken to date.

Since 1 July 2009 we secured planning consent for 23 residential plots and the portfolio under our control now comprises 628 consented residential plots, 43,000 sq ft consented for an 80 bed care home and 73,000 sq ft of consented commercial space. We have a further 1,352 plots and 174,000 sq ft of commercial space being processed through the planning system.

We were delighted to hear that the 'twin sails' bridge which will open up the regeneration area in Poole in Dorset has finally secured full funding and construction will start this summer. Our site of 9.5 acres in Poole is part of one of the largest regeneration projects in the south west and we expect to achieve in the order of 500 homes on our land.

FINANCIAL SUMMARY

Revenue for the six months ended 31 December 2009 was £5.29m (2008: £0.35m). £4.55m of this was generated from the sale of 40 plots and two finished residential units, £0.33m from rental income and the balance from management fees. Gross profit amounted to £1.27m (2008: loss of £2.74m) and administrative costs reduced to £0.98m from £1.07m in the previous period.

Net assets at the 31 December 2009 stood at £41.87m (2008: £47.39m) equating to 23.95p (2008: 29.23p) per share. Having reviewed the carrying value of our land holdings the Board is satisfied that no further write downs are required.

Net debt stood at £8.79m (2008: £6.79m) which represents gearing of 21% (2008: 14.3%). Our deferred consideration liability on various land purchases has reduced to £8.80m from £16.09m at 31 December 2008.

The banking climate still remains extremely difficult with the major banks reducing their exposure to the property sector. We are however pleased to report that a new revolving credit facility with a limit of £9.3m has been agreed with our bankers, Royal Bank of Scotland (RBS) for a period of 15 months to 30 June 2011 reducing periodically to £5.5m at expiry. The Board has also agreed additional funding and refinancing support for Inland's housebuilding activities with a leading UK based merchant bank which currently has a good appetite for such business.

INVESTMENTS

Howarth Homes plc in which the Group holds 33% of the equity has faced challenging trading conditions in line with its sector peers. They are building homes for sale on four sites with a total of 96 units including a site of 51 homes being developed as a joint venture with Inland.

Howarth has secured a number of construction contracts to build affordable housing for housing associations together with contracts for Inland and other private clients valued at £9.5m. There are a further £8.0m of construction contracts close to being signed.

OUTLOOK

Despite challenging trading conditions affecting the housing market, Inland is now achieving significant cash inflows from land sales and is targeting to repay all its borrowings from RBS in advance of the expiry of the facility.

We anticipate receiving a number of new planning consents in the second half of the financial year and, with the perception that the worst of the downturn is behind us, we look forward to the next six months with renewed optimism.

TERRY ROYDON
CHAIRMAN

GROUP INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

	Notes	**Six months ended 31 December 2009 (unaudited) £000**	Six months ended 31 December 2008 (unaudited) £000	Year ended 30 June 2009 (audited) £000
Revenue		**5,291**	347	5,219
Cost of sales		**(4,018)**	(26)	(5,434)
Gross profit/(loss) before exceptional costs		**1,273**	321	(215)
Exceptional costs of sales		**—**	(3,056)	(3,798)
Gross profit/(loss)		**1,273**	(2,735)	(4,013)
Administrative expenses:		**(984)**	(1,070)	(2,024)
– profit/(loss) on investments		**104**	(433)	(1,689)
Operating profit/(loss)		**393**	(4,238)	(7,726)
Interest expense		**(218)**	(295)	(491)
Notional interest expense		**(162)**	(473)	(847)
Interest and similar income		**94**	146	247
		107	(4,860)	(8,817)
Share of profit/(loss) of associate		**—**	(85)	(224)
Impairment of investment in associate		**—**	—	(1,426)
Profit/(loss) before taxation		**107**	(4,945)	(10,467)
Income tax		**30**	814	(2,223)
Profit/(loss) for the period	4	**137**	(4,131)	(12,690)
Earnings/(loss) per share				
– basic and diluted earnings/(loss) per share in pence	5	**0.08p**	(2.55)p	(7.83)p

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

	Six months ended 31 December 2009 (unaudited) £000	Six months ended 31 December 2008 (unaudited) £000	Year ended 30 June 2009 (audited) £000
Profit/(loss) for the period	**137**	(4,131)	(12,690)
Other comprehensive income:			
– profit/(loss) on available-for-sale financial assets	**—**	—	(409)
Other comprehensive income for the period, net of tax	**—**	—	(409)
Total comprehensive income/(expense) for the period	**137**	(4,131)	(13,099)

GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

	Notes	**As at 31 December 2009 (unaudited) £000**	As at 31 December 2008 (unaudited) £000	As at 30 June 2009 (audited) £000
ASSETS				
Non-current assets				
Investment property		**8,801**	8,801	8,801
Property, plant and equipment	6	**70**	71	81
Investments	7	**2,250**	1,079	250
Investment in associate	7	**—**	695	—
Available-for-sale financial assets	7	**—**	1,178	—
Deferred tax		**4,486**	7,531	4,456
Total non-current assets		**15,607**	19,355	13,588
Current assets				
Inventories		**41,930**	45,460	41,656
Trade and other receivables		**1,676**	4,388	3,698
Loan to associate		**1,908**	1,675	2,000
Listed investments held for trading (carried at fair value through profit and loss)		**238**	184	471
Cash and cash equivalents		**233**	—	72
Total current assets		**45,985**	51,707	47,897
Total assets		**61,592**	71,062	61,485
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	8	**17,483**	16,216	16,216
Share premium account		**45,177**	45,184	45,184
Treasury shares		**(366)**	(366)	(366)
Retained earnings		**(15,620)**	(7,357)	(15,848)
Other reserves		**(4,806)**	(6,283)	(4,806)
Total equity		**41,868**	47,394	40,380
LIABILITIES				
Current liabilities				
Bank loans and overdrafts		**9,019**	6,785	6,566
Trade and other payables		**1,902**	792	1,923
Other financial liabilities	9	**8,803**	11,633	7,975
Total current liabilities		**19,724**	19,210	16,464
Non-current liabilities				
Other financial liabilities	9	**—**	4,458	4,641
Total non-current liabilities		**—**	4,458	4,641
Total liabilities		**19,724**	23,668	21,105
Total equity and liabilities		**61,592**	71,062	61,485

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

	Share capital £000	Share premium £000	Treasury shares £000	Retained earnings £000	Other reserves £000	Total £000
At 30 June 2008	16,216	45,184	(366)	(3,317)	(4,397)	53,320
Fair value adjustment in respect of available-for-sale financial assets	—	—	—	—	(1,886)	(1,886)
Loss attributable to shareholders	—	—	—	(4,131)	—	(4,131)
Total recognised income and expense	—	—	—	(4,131)	(1,886)	(6,017)
Share based compensation	—	—	—	91	—	91
At 31 December 2008	16,216	45,184	(366)	(7,357)	(6,283)	47,394
Share based payment	—	—	—	68	—	68
Transactions with owners	—	—	—	68	—	68
Loss attributable to shareholders	—	—	—	(8,559)	—	(8,559)
Other comprehensive income:						
– fair value adjustment in respect of available-for-sale financial assets	—	—	—	—	1,477	1,477
At 30 June 2009	16,216	45,184	(366)	(15,848)	(4,806)	40,380
Fair value adjustment in respect of available-for-sale financial assets	—	—	—	—	—	—
Profit attributable to shareholders	—	—	—	137	—	137
Issue of equity	1,267	(7)	—	—	—	1,260
Total recognised income and expense	1,267	(7)	—	137	—	1,397
Share based compensation	—	—	—	91	—	91
At 30 December 2009	**17,483**	**45,177**	**(366)**	**(15,620)**	**(4,806)**	**41,868**

GROUP CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

	Note	**Six months ended 31 December 2009 (unaudited) £000**	Six months ended 31 December 2008 (unaudited) £000	Year ended 30 June 2009 (audited) £000
Cash flows from operating activities				
Profit for the year before tax		**107**	(4,945)	(10,467)
Adjustments for:				
– depreciation		**18**	16	34
– share based compensation		**91**	91	182
– fair value adjustment for listed investments		**(51)**	465	513
– profit on disposal of tangible fixed assets		**—**	—	(1)
– profit on disposal of listed investments		**(52)**	(32)	1,176
– interest and similar income		**(94)**	(146)	(247)
– interest expense		**380**	768	1,338
– share of profit of associate		**—**	85	223
– impairment of investment in associate		**—**	—	1,426
– tax paid		**—**	—	206
Changes in working capital (excluding the effects of acquisition):				
– (increase)/decrease in inventories		**(273)**	2,223	6,027
– decrease/(increase) in trade and other receivables		**2,158**	(769)	(634)
– decrease in trade and other payables		**(4,018)**	(8,924)	(11,644)
Net cash outflow from operating activities		**(1,734)**	(11,168)	(11,891)
Cash flow from investing activities				
Interest received		**49**	59	179
Dividends received		**—**	16	19
Sale of tangible fixed assets		**—**	—	12
Purchases of property, plant and equipment	6	**(7)**	—	(39)
Purchase of investments		**(2,197)**	(422)	(422)
Sale of investments		**533**	398	1,511
Net cash (used in)/generated from investing activities		**(1,622)**	51	1,260
Cash flow from financing activities				
Interest paid		**(196)**	(268)	(463)
Issue of shares (net of expenses)		**1,260**	—	—
Net cash generated from/(used in) financing activities		**1,064**	(268)	(463)
Net decrease in cash and cash equivalents		**(2,292)**	(11,385)	(11,094)
Net cash and cash equivalents at beginning of period		**(6,494)**	4,600	4,600
Net cash and cash equivalents at the end of period		**(8,786)**	(6,785)	(6,494)
Cash and cash equivalents		**233**	—	72
Bank loans and overdraft		**(9,019)**	(6,785)	(6,566)
		(8,786)	(6,785)	(6,494)

NOTES TO THE INTERIM REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

1. NATURE OF OPERATIONS AND GENERAL INFORMATION

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.

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 2 Anglo Office Park, 67 White Lion Road, Amersham, Bucks HP7 9FB.

Inland plc's shares are quoted on AIM, a market operated by the London Stock Exchange. This consolidated interim statement has been approved for issue by the Board of Directors on 18 March 2010.

The financial information set out in this interim statement does not constitute statutory accounts as defined in Sections 434(3) and 435(3) of the Companies Act 2006. The Group's statutory financial statements for the year ended 30 June 2009 have been filed with the Registrar of Companies and are available at www.inlandplc.com. The auditor's report on those financial statements was unqualified and did not contain any statement under Section 498(2) or Section 498(3) of the Companies Act 2006.

2. BASIS OF PREPARATION

This consolidated interim statement 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 2009, 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 2009, as described in those annual financial statements, except for the implementation of IAS 23 "Borrowing Costs (Amendment)" which has come into effect for accounting periods beginning on or after 1 January 2009. This amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction and production of a qualifying asset, as part of the cost of that asset. A qualifying asset is one that takes a substantial period of time to get ready for use or a sale. This has resulted in a reduced interest charge for the period, although it is not considered to be material.

4. INCOME TAX

	Six months ended 31 December 2009 (unaudited) £000	Six months ended 31 December 2008 (unaudited) £000	Year ended 30 June 2009 (audited) £000
Tax credit on associate's loss	**—**	—	(62)
Deferred tax (credit)/charge	**(30)**	(814)	2,285
	(30)	(814)	2,223

5. EARNINGS/(LOSS) PER SHARE

BASIC AND DILUTED

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

	Six months ended 31 December 2009 (unaudited) £000	Six months ended 31 December 2008 (unaudited) £000	Year ended 30 June 2009 (audited) £000
Profit/(loss) attributable to equity holders of the Company (£000)	**137**	(4,131)	(12,690)
Weighted average number of ordinary shares in issue (000s)	**173,414**	162,150	162,150
Basic and diluted earnings/(loss) per share in pence	**0.08p**	(2.55)p	(7.83)p

6. PROPERTY, PLANT AND EQUIPMENT

	Investment property £000	Leasehold property £000	Motor vehicles £000	Fixtures and fittings £000	Office equipment £000	Total £000
Cost						
At 31 December 2008	8,801	—	61	37	32	130
Disposals	—	—	(27)	—	—	(27)
Additions	—	—	15	—	24	39
At 30 June 2009	8,801	—	49	37	56	142
Disposals	—	—	—	—	—	—
Additions	—	5	—	—	2	7
At 31 December 2009	**8,801**	**5**	**49**	**37**	**58**	**149**

NOTES TO THE INTERIM REPORT CONTINUED

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

6. PROPERTY, PLANT AND EQUIPMENT CONTINUED

	Investment property £000	Leasehold property £000	Motor vehicles £000	Fixtures and fittings £000	Office equipment £000	Total £000
Depreciation						
At 31 December 2008	—	—	21	19	19	59
Depreciation	—	—	8	4	6	18
Disposals	—	—	(16)	—	—	(16)
At 30 June 2009	—	—	13	23	25	61
Depreciation charge	—	1	6	8	3	18
Disposals	—	—	—	—	—	—
At 31 December 2009	**—**	**1**	**19**	**31**	**28**	**79**
Net book value at 31 December 2009	**8,801**	**4**	**30**	**6**	**30**	**70**
At 30 June 2009	8,801	—	36	14	31	81

7. INVESTMENTS

	Associate £000	Listed investment £000	Equity in convertible loans £000	Convertible loan at fair value £000	Investment in joint venture £000	Total £000
At 31 December 2008	695	1,178	39	790	250	2,952
Notional interest adjustment	—	—	—	3	—	3
Share of loss of associate	(101)	—	—	—	—	(101)
Impairment of investment in associate	(594)	—	(39)	(793)	—	(1,426)
Fair value adjustment	—	1,478	—	—	—	1,478
Disposal	—	(2,320)	—	—	—	(2,320)
Transfer to listed investments held for trading	—	(336)	—	—	—	(336)
At 1 July 2009	—	—	—	—	250	250
Additions	—	—	—	—	2,000	2,000
At 31 December 2009	**—**	**—**	**—**	**—**	**2,250**	**2,250**

8. SHARE CAPITAL

	Six months ended 31 December 2009 (unaudited) Number	Six months ended 31 December 2008 (unaudited) Number	Year ended 30 June 2009 (unaudited) Number
Shares in issue			
Shares in issue at start of period	**162,150,079**	162,150,059	162,150,059
Shares issued	**12,665,000**	20	20
Shares in issue at end of period	**174,815,079**	162,150,079	162,150,079

9. OTHER FINANCIAL LIABILITIES

	Six months ended 31 December 2009 (unaudited) £000	Six months ended 31 December 2008 (unaudited) £000	Year ended 30 June 2009 (audited) £000
Deferred purchase consideration falling due within one year	**8,803**	11,633	7,975
Deferred purchase consideration falling due:			
– between one and two years	**—**	4,458	4,641
– between two and three years	**—**	—	—
	8,803	**16,091**	**12,616**

10. Copies of our interim report can be found on our website at www.inlandplc.com.

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 2009 which comprises the group income statement, the group balance sheet, the group statement of changes in equity, the group cash flow statement and notes 1 to 9 to the 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 2009 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
18 March 2010

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