14 October 2016

# Inland Homes Plc
(the 'Company' or the 'Group')
Preliminary results for the year ended 30 June 2016

## Robust results delivered in year of significant operational and strategic progress

Inland Homes Plc (AIM: INL), the housebuilder and brownfield regeneration specialist, today announces its results for the year to 30 June 2016.

**Highlights**

**Robust financial results delivered following successive periods of record growth**

- Following the adoption of EPRA performance measures to fully reflect unrealised value within the Group's land bank, the EPRA net asset value is:

| | **30 June 2016** | 31 December 2015 |
|---|---|---|
| EPRA NAV | **86.63p** | 79.85p |
| Adjusted EPRA NAV | **91.54p** | 84.38p |

- 30% increase in net asset value to £116 million, reflecting £18 million revaluation surplus on investment properties
- Group revenue for the year of £101.9 million (2015: £114.2 million) and Profit Before Tax of £32.9 million (2015: £34.0 million)
- Revenue from housebuilding of £51.5 million (2015: £66.1 million) with the decline attributable to the deferral of 23 completions to the 2017 financial year and a bulk sale of 59 units in the prior period
- 165% increase in rental income to £2.1 million (2015: £0.8 million) leveraging income opportunities across the portfolio
- Strong balance sheet with cash balances of £16.7 million (2015: £21.4 million) and net borrowings of £54.6 million (2015: £34.9 million) at the year end
- 29% increase in proposed final dividend to 0.9p per share reflecting robust underlying performance and confidence in outlook

**Substantial operational and strategic progress positioning the business for significant growth**

- Significant expansion of land bank to a record 6,681 plots (2015: 5,176), including 17 sites under option providing control over 330 acres of strategic land with the potential for over 1,600 residential plots
- Disposal of 425 plots across 8 sites during the year, for a total consideration of £43.3 million (2015: £39.6 million)
- 147 private homes sold at an average price of £337,000 (2015: £264,000), with a further 321 currently under construction
- Gross margin from the sale of private homes consistent at 21.9% (2015: 20.9%)
- Strategic appointment of new Managing Director of Inland Limited, Gary Skinner, responsible for Group construction activity and project delivery, enabling better control, greater certainty and cost competitiveness for housebuilding operations
- First major joint venture with a local authority with Southampton City Council appointing Inland as development partner on an 8.9 acre site, with the potential for over 450 residential units and a gross development value of over £100 million
- Key development projects all progressing well, including Wilton Park, Beaconsfield and Meridian Waterside Southampton, the Group's first full self-delivery project

- Acquisition of substantial regeneration project in Cheshunt, Hertfordshire, comprising a 13 acre site, completed since the year end in a joint venture
- Track record of success in securing planning consents maintained at 100%

**Market backdrop continues to remain favourable**

- House sales continuing at normal rate post referendum, particularly at Inland's price point and geographic focus
- Forward sales remain strong, totalling £22.5 million (2015: £31.1 million) as of the date of this announcement
- Fundamentals of the housing market and Government initiatives, including Help to Buy, are supportive of Inland's strategy and are contributing to the positive outlook being maintained by the management and Board

**Stephen Wicks, Chief Executive at Inland Homes commented:**

"This has been a considerable year of consolidation for Inland Homes, following successive periods of record results. We have grown our team and made significant strategic appointments that are helping to position this Group for growth in the medium to long term, while at the same time building our portfolio so that we are in a strong position to capitalise on a number of substantial opportunities.

"I am very happy with the progress we have made on key development projects and in particular with the 29% growth we have driven in the size of our land bank. To date, the business has been largely unaffected by the Brexit vote and although it remains too early to deliver a definitive judgement, following the robust full year performance and the ongoing supportive market backdrop, the Board has good reasons to be confident in the outlook for Inland Homes as reflected in the 29% increase in our proposed final dividend that we have announced today."

**Enquiries:**


**Inland Homes plc:** Tel: +44 (0) 1494 762450
Stephen Wicks, Chief Executive
Nishith Malde, Finance Director
Paul Brett, Land Director

**Stifel Nicolaus Europe Limited (Nominated Adviser):** Tel: +44 (0) 20 7710 7600
David Arch
Roger Clarke

**FTI Consulting:** Tel: +44 (0)20 3727 1000
Dido Laurimore
Claire Turvey


**Notes to Editors:**

Incorporated in the UK in 2005, Inland Homes plc is an AIM listed specialist housebuilder and brownfield developer, dedicated to achieving excellence in sustainability and design.

Inland Homes acquires brownfield land in the South and South East of England principally for residentially led development schemes. The business then enhances the land value by obtaining planning permission, before building open market and affordable homes or selling surplus consented land to other developers to generate cash.

The Group is committed to extensive public and community consultation in order to ensure that, where possible, local community needs and objectives are met.

Inland Homes' aim is to create sustainable communities and homes which set a benchmark for all future developments in the South of England. The Group is always looking for brownfield sites without planning permission for future development.

For further information, please visit the Inland Homes website at www.inlandhomes.co.uk.

**CHAIRMAN'S STATEMENT**

Operationally and strategically, this has been another significant year for Inland Homes, which now has a strengthened management team, has progressed on a number of important projects and has entered the new financial year with a sound balance sheet. A great deal of effort has been focused on developing a platform for the future expansion of the business and I am confident that shareholders will begin to see the fruits of this labour in the near future.

The appointment of Gary Skinner as Managing Director of Inland Limited, our main operating subsidiary, in February 2016 has added additional expertise to the management team and was an important step in our strategic decision to develop our in-house capability to "self-deliver" our homes, rather than engaging external main contractors on our schemes. This will enable the Group to have greater control and more certainty over delivery, as well as allowing our homes to be built more competitively. Gary was previously Director of Operations at Wilmott Dixon, a major contractor, where he was responsible for the delivery of over 800 homes per annum, and his impact at Inland is already delivering tangible benefits to the business.

Operationally, the geographic focus of the Group continues to be in the South East of England and the outer London Boroughs, where there is a shortage of an adequate, sustainable supply of land with planning consent and also of homes within an affordable price bracket. The Group has delivered another set of robust annual results, with turnover for the year at £101.9 million (2015: £114.2 million) and profit before tax at £32.9 million (2015: £34.0 million), including a revaluation surplus on our investment properties of £18.0 million (2015: £14.5 million) which contributed to a 30% increase in net asset value to £116.0 million (2015: £88.8 million).

As signalled in our 2015 Annual Report and Accounts, the Board has adopted the performance measures of the European Public Real Estate Association (EPRA), in common with most UK listed companies in the real estate market. The EPRA net asset value reflects the unrealised value within projects, created by the increasing value of our land bank as we go through the different stages involved with the planning process and gives a more up to date representation of our key assets. The EPRA net asset value and the adjusted EPRA net asset value of the Group at 30 June 2016 was 86.63p and 91.54p per ordinary share respectively and has been determined as follows:

| | | EPRA | | Adjusted EPRA* |
|---|---|---|---|---|
| Shares in issue (000) | | 201,779 | | 201,779 |
| Dilutive effect of options (000) | | 2,413 | | - |
| Dilutive effect of deferred bonus shares (000) | | 1,027 | | - |
| Dilutive effect of growth shares (000) | | 8,000 | | - |
| | | **213,219** | | **201,779** |
| | **£000** | **Pence per share** | **£000** | **Pence per share** |
| Current net asset value | 116,032 | 54.42p | 116,032 | 57.50p |
| Unrealised value within projects | 67,896 | 31.84p | 67,896 | 33.65p |
| Reverse deferred tax liability on investment property | 787 | 0.37p | 787 | 0.39p |
| **EPRA net asset value** | **184,715** | **86.63p** | **184,715** | **91.54p** |
| Deferred tax on uplift at 19% | | (6.05)p | | (6.39)p |
| **EPRA net asset value after deferred tax** | | **80.58p** | | **85.15p** |

*EPRA NAV adjusted to exclude the dilutive effect of the options, deferred bonus shares and Growth Shares.

Our financial performance was affected by a contractor engaged by Inland Homes running into financial difficulties, resulting in the delay of 23 legal completions, the proceeds from which will now fall into the year ending 30 June 2017. The actions taken to strengthen our in-house construction team meant that the Group was able to quickly take full control of the relevant sites and all of the related construction activity, which significantly limited the downside suffered by the Group.

During the year, Inland Homes sold 168 homes (2015: 287) (including 21 for Housing Association equivalent units (2015: 39)) at an average price of £337,000 (2015: £264,000) per private unit. Fewer homes were sold this year compared to last year, partly caused by delays in finishing the 23 units referred to above and partly because the previous year's sales numbers were flattered by a bulk sale of 59 units. Inland Homes currently has 321 units under construction across 10 sites, which demonstrates the momentum driving this part of the Group's activities. The timing of these projects together with planned land sales are such that a major part of our profitability will be realised in the second half of our current financial year. Figures for the forward sales of homes, where units have been reserved or where contracts have been exchanged, remain strong and currently total £22.5 million.

As an expert in the regeneration of challenging brownfield sites that other housebuilders are unwilling to take on, the Group's position remains strong. The Group sold 425 (2015: 440) consented plots to other housebuilders in the year, demonstrating the continued market appetite for these opportunities.

Our rental income for the year increased by 165% to £2.1 million (2015: £0.8 million). Further increases are anticipated in the year to come as we continue to intensively manage our commercial and residential portfolio, and effectively exploit the short term rental opportunities (such as car parking or the use of our sites by production companies for filming) provided by our brownfield sites, as they are navigated through the planning process.

Worthy of comment is the significant increase in the size of our strategic land bank (sites which are next to existing settlements and are highly likely to get zoned for development because the local authority is short of a five year land supply). From virtually no such holdings 18 months ago, we now have 17 options, delivering control over 330 acres, which offer the potential for over 1,600 residential plots.

Including strategic land, I am pleased to report the entire land bank has increased by 29% to a record 6,681 plots (2015: 5,176), a significant achievement by any measure and putting us in a good position to capitalise on these opportunities in the medium to long term.

The Group's balance sheet has been strengthened during the period, with cash balances of £16.7 million (2015: £21.4 million) at the year end and net borrowings (defined as loans and the accrued ZDP liability less cash) amounting to £54.6 million (2015: £34.9 million). Borrowings have increased post year end due to continuing investment in land opportunities and a further increase in work in progress due to the momentum in our housebuilding activities.

Given the robust underlying performance of the Group, I'm pleased to report that the Board is proposing to increase the final dividend by 28.6% from 0.7p to 0.9p per share, subject to shareholder approval at the upcoming AGM, which is to be held on 1 December 2016. Together with the interim dividend of 0.4p per share paid in May 2016, this brings the total dividend for the year to 1.3p, an increase of 30%. The final dividend will be paid to shareholders on 27 January 2017.

The dividend increase is indicative of our confidence in the business and our strategic position in the market going forward. It remains too soon to judge with any confidence the effect that the result of the EU Referendum will have on the new homes market. However, the market fundamentals remain strong, supported by long term unfulfilled demand. To date, interest in our well-located, lower cost, quality homes has remained largely unaffected by the Brexit decision.

Finally, I should like to extend my thanks once again to our small, but highly skilled and highly motivated team for their continued hard work in building a strong and effective Company in Inland Homes.

**Terry Roydon**
Non-Executive Chairman
13 October 2016

**CHIEF EXECUTIVE'S REVIEW**

I am pleased to report on a year of considerable progress for Inland with the business achieving 31% growth in net assets per share to 57.50p (2015: 43.92p) and a profit before tax of £32.9 million (2015: £34.0 million). The underlying value of our inventories is significantly higher than the book values and this is demonstrated by the EPRA net asset value per share of 86.63p and adjusted EPRA net asset value per share of 91.54p at 30 June 2016, further details of which can be found in the Chairman's Statement.

As reported in the Chairman's statement, the Group sold 425 building plots to other housebuilders and completed the sale of 147 (2015: 248) private homes in the year at an average price of £337,000 compared with £264,000 last year. In addition, the Group sold 21 equivalent affordable housing units (2015: 39).

Although the unit completions were lower than last year, due largely to the contractor issues outlined by our Chairman, the ongoing strategy and underlying trend is to increase annually towards our interim target of 500 home completions per annum. We currently have 321 homes under construction with a significant number being "self-delivered" by our in-house team. This part of the business was bolstered during the year with the appointment of Gary Skinner as Managing Director of Inland Limited, with specific responsibility to substantially increase our housebuilding activities.

The core value enhancing skill at Inland is in its land acquisition and planning strategy, supported by a team of people that has worked together for many years and which has a long track record of success in securing planning consents. The land team is led by Paul Brett, the Group Land Director, with whom I have worked for over 20 years, who is ably supported by Des Wicks, our Senior Land Manager, Mark Gilpin, our Planning Director, and a small group of support staff within the team. As a land man by background, I am also involved with a number of key transactions. This part of the business has successfully procured planning consents for 544 plots since the publication of our previous year's results and puts us in a strong position to achieve our future house building target.

The land bank currently stands at a record 6,681 plots (2015: 5,176), demonstrating the momentum behind this part of the business following substantial plot and house sales. The status of the land portfolio is as follows:

| | Plots without planning consent | Plots with planning consent or resolution to grant planning consent | Total plots |
|---|---|---|---|
| Owned under construction | - | 321 | 321 |
| Owned or contracted | 1,124 | 727 | 1,851 |
| Managed or held within joint ventures | 2,389 | 26 | 2,415 |
| Joint ventures terms agreed | 200 | 40 | 240 |
| Plots controlled or terms agreed | 200 | 49 | 249 |
| Strategic land controlled | 1,563 | - | 1,563 |
| Strategic land terms agreed | 42 | - | 42 |
| **TOTAL PLOTS** | **5,518** | **1,163** | **6,681** |

We are seeing increasing interest in our land bank from Registered Providers ("RPs") of affordable housing who are considerably increasing their production of homes, in light of the growing realisation that the private sector is unable to deliver the volume of new affordable homes required in the UK. We are also observing a high level of enquiries for land from Private Rented Sector Funds, another growth area that we hope to benefit from.

**OPERATIONS - KEY PROJECTS**

**WILTON PARK, BEACONSFIELD, BUCKINGHAMSHIRE**

I described this site last year as our "jewel in the crown" and this continues to be the case. The site sits in a parkland setting of over 100 acres close to Beaconsfield Old Town. Currently the site is allocated for 350 homes together with commercial space.

The first section of the access road from the Pyebush roundabout is nearly complete. Landscaping with mature tree planting is ongoing to create the gateway to this magnificent development opportunity.

We expect to make a formal planning application in this calendar year, with a view to starting work on site in mid-2017.

**MERIDIAN WATERSIDE, SOUTHAMPTON**

This scheme is the regeneration of the former ITV Meridian Studios, a complex brownfield site in a rundown part of Southampton.

We recently launched the sale of the first phase of 54 homes and a 4,250 sq ft retail unit and we achieved 7 reservations over the opening weekend. The completed development will comprise over 350 homes. This is the first project we are self-delivering without using a main contractor.

The construction is on programme and within budget and we are expecting to commence the build out of Phase 2 for 42 units in November 2016. There is a very strong initial interest from potential buyers with prices starting from £140,000.

**BROOKLANDS COLLEGE, ASHFORD, MIDDLESEX**

This is a 10 acre site in the centre of town where we expect to receive a resolution to grant planning permission for 366 units plus commercial space in the near future. The land is held in our joint venture with CPC Group Limited.

**LILY'S WALK, HIGH WYCOMBE, BUCKINGHAMSHIRE**

This former gas holder site is in the town centre and where a planning permission for 239 units and 16,000 sq ft of commercial space is expected imminently. This site is also held in our joint venture with CPC Group Limited, which has now also purchased the adjoining land which provides the scope for a further 85 residential units.

**CHAPEL RIVERSIDE, SOUTHAMPTON**

This project is our first major joint venture with a Local Authority (Southampton City Council).

In what is a challenging waterside brownfield regeneration, our planning team has come up with a creative approach that aims to secure consent for over 450 homes in addition to 59,000 sq ft of commercial space. We expect a gross development value of over £100 million from this project.

We hope this partnership will be the first of many with Local Authorities, many of whom do not have the expertise that we can offer and we are directing our management team to make this an area of focus.

**STRATEGIC LAND PORTFOLIO**

About 18 months ago, reflecting the intense pressure that Local Authorities are under to allocate more land for development, we made a decision to supplement our brownfield land portfolio with a number of strategic options over greenfield land that adjoins existing built up areas where there are distinct possibilities of that land being released in the future for housing.

This strategic decision has proved to be exceptionally successful with 17 option agreements now in place. These options give Inland the right to acquire the site at a discount to market value (typically 20%) once the site achieves planning permission. Most of the options run for at least 10 years and provide control over 330 acres of land (mainly in Buckinghamshire) with the scope for the delivery of *circa* 1,600 homes.

A number of these sites have already been identified for potential housing in Local Authority Plans.

**INVESTMENT INCOME**

As part of our brownfield land and property acquisitions, we often "inherit" existing tenants and have the scope to generate short term rental income through lettings to operators for things such as short term car parking income, film production and storage. We have also retained 86 existing houses at our Wilton Park development, the bulk of which are let on assured shorthold tenancies.

The Group is also seeking new development opportunities within the mixed use schemes. We have two neighbourhood supermarkets which we have retained and are let to Sainsbury's and the Co-Op, with another under construction at our Meridian site in Southampton.

The intensification of our commercial rental activities has resulted in current rental income of over £2.6 million per annum. We expect this rental income to continue to rise and provide a good contribution to overheads and funding costs.

**BREXIT**

Despite the hysteria leading up to the referendum, the housing market has emerged relatively unscathed from the turmoil that surrounded the UK's decision to leave the EU, although it is still early days.

However, the fact remains that there is a long term underlying demand for new homes particularly at the fairly low average price point that Inland operates at and on sites which are well located in Southern England.

**SUMMARY & OUTLOOK**

Demand for residential land in our well located portfolio from third party housebuilders is steady, with a number of new land sales agreed post year end.

Inland Homes is continuing to extract maximum short term value from its land bank via income producing opportunities as well as the development of new commercial opportunities by virtue of its mixed use developments.

Focused investment is being made in new personnel so that the Group is well resourced to deliver on its growth plans. Our staff headcount is now 53 compared with 31 at the date of signing the last Annual Report.

We have a medium term target of achieving 500 home completions per annum and having repositioned the business to have less reliance on main contractors, are confident this will be achieved.

The underlying net asset value of the Group has increased substantially year on year. Our small skilled team of professionals are focused on creating maximum value from our excellent and well located portfolio.

Inland is on track to deliver further considerable growth for its shareholders. The fundamentals of the housing market, particularly at our low cost end of the sector, remain strong and are well supported by Government initiatives. We are very positive about our business model going forward.

**Stephen Wicks**
Chief Executive Officer
13 October 2016

**FINANCE DIRECTOR'S REVIEW**

Inland Homes has delivered another year of strong progress, both strategically and operationally. Against a record prior year, profit before tax was £32.9 million (2015: £34.0 million), and includes revaluation gains of £18.0 million (2015: £14.5 million). This has been achieved despite a delay in 23 unit completions following the failure of a third party contractor, which resulted in an increase in cost provisions to complete the affected projects.

We have adopted the performance measures of the European Public Real Estate Association ("EPRA"), which enables us to fully reflect the unrealised value that has been created within our substantial land bank. The EPRA net asset value per share at 30 June 2016 was 86.63p and the adjusted EPRA net asset value was 91.54p per share, further details of which can be found in the Chairman's Statement.

**GROUP INCOME STATEMENT**

Inland Homes delivered 147 (2015: 248) private unit completions during the financial year, generating revenues of £51.5 million (2015: £66.1 million), and sold 425 (2015: 440) consented residential building plots, realising £43.3 million (2015: £39.6 million). Gross profit from private unit completions was £11.3 million (2015: £13.8 million) and from the sale of consented residential building plots was £17.1 million (2015: £17.0 million). Total revenues decreased by 10.8% over the previous period to £101.9 million (2015: £114.2 million). This was partly due to the normal course of housebuilding project cycles and the completion of our development, West Plaza in Ashford, Middlesex, in the previous year where there was a bulk sale of 59 units. Revenues were also affected by the delay of 23 units following the failure of a main contractor engaged on three of our sites, however, these 23 units will be realised in the current period, albeit with much lower margins due to increased costs. The average selling price of Inland Homes' private residential units was £337,000 (2015: £264,000), the increase being the result of both a change in the mix between houses and apartments sold, as well as regional house price growth during the period.

Gross profit has decreased by 14.0% to £29.6 million (2015: £34.4 million) and gross margin reduced to 29.0% from 30.1%. The margin on private unit sales improved slightly to 21.9% (2015: 20.9%). Provisions of £1.1 million were made in respect of costs to complete on two of the three sites under construction where the main contractor failed.

The strategic focus on developing our in-house construction capabilities and the self-delivery of our products has naturally meant an increase in staff numbers and, therefore, administrative overheads have risen from £6.0 million to £6.3 million. It is expected, however, that this will result in cost savings and reduce the risk around project delivery over the medium to long term as the Group's activities continue to expand.

There was a further revaluation gain of £18.0 million (2015: £14.5 million) to investment properties, which relates principally to the 86 existing residential properties at Wilton Park, Beaconsfield where the current annual rent roll is £0.9 million.

In November 2015, one of the Group's subsidiaries entered into a £20.0 million revolving credit facility with Barclays Bank to fund the majority of its housebuilding activities, which were previously financed via individual development loans. The facility expires on 31 October 2019 and has contributed towards a reduction in our net finance costs to £6.9 million (2015: £8.2 million). The facility includes standard net asset based covenants as well as site specific covenants. It is also worth noting that last year the Group incurred a one-off cost of approximately £1.0 million in finance fees for the arrangement of the joint venture with CPC Group Limited, which has not repeated during the financial year ended 30 June 2016. Interest cover, expressed as the ratio of operating profit (excluding revaluation gains) to net interest (excluding notional interest on deferred consideration) was 4.1 times (2015: 4.0). The Group has not capitalised any interest charges.

As announced on 19 November 2015, Inland Homes committed a £1.0 million investment in return for a 25% stake in a newly formed, premium housebuilding company, Troy Homes Limited. The Group has since committed to invest a further £250,000 of equity. As was expected for a business in its infancy, Troy Homes incurred a loss of £553,000 during its first 10 months of trading to 30 June 2016. Inland Homes' share of this loss, representing £138,000, has been recognised within the share of losses of associate companies.

**TAXATION**
The total tax charge of £3.5 million represents 10.8% of the profit before tax. The effective corporation tax rate for the financial year is 20% and the principal difference relates to the recognition of capital losses against revaluation surpluses on investment properties resulting in no deferred tax charge on the surplus.

**EARNINGS PER SHARE AND DIVIDENDS**
Basic earnings per share decreased by 3% to 14.23p (2015: 14.67p) per share while basic earnings per share (excluding revaluation gains) were 5.31p (2015: 7.49p). The Company paid an interim dividend of 0.4p (2015: 0.3p) per share on 31 May 2016 and the Board has recommended a final dividend of 0.9p (2015: 0.7p) per share, increasing the total dividend for the year by 30% to 1.3p (2015: 1.0p) per share. The proposed final dividend will be payable on 27 January 2017, subject to shareholders' approval, to shareholders on the register at the close of business on 30 December 2016.

**GROUP BALANCE SHEET AND FINANCIAL POSITION**
On 30 June 2016 the Group acquired all of the issued share capital of Bucks Developments Limited, the holding company of Wilton Park Developments Limited. As a result, the Group now has 86 existing residential properties at Wilton Park, Beaconsfield which are held as investment properties. These properties were professionally valued at the year end at £45.4 million, reflecting a gain of £17.9 million. The majority of these properties are let on assured shorthold tenancies and currently generate annual rental income of £0.9 million. The Group's investment properties, comprising predominantly the 86 existing residential properties and commercial units developed by us along with other real estate acquired through land purchases, such as the property at Hamworthy, Poole, generated £642,000 of rental income in the year.

Investment in and loans to joint ventures have increased by 140% to £11.3 million (2015: £4.7 million). During the year the Group entered into a 50:50 joint venture with a land owner of a site in Garston, Hertfordshire, investing £2.7 million. On 30 June 2016, the Group also entered into a 50:50 joint venture (Inland (Stonegate) Limited) with a third party. The joint venture exchanged contracts to purchase a site of approximately 13 acres, which includes the former headquarters of Tesco plc in Cheshunt, Hertfordshire. The purchase of this site was completed in August 2016. The Group's investment in and loans to this joint venture were £1.0 million at the balance sheet date. In addition to these investments, the Group contributed £2.6 million towards its share of the additional investments in a joint venture platform with CPC Group Limited and £0.3 million in the joint venture with Europa Capital.

As at 30 June 2016, the investment in and loans to associate company Troy Homes amounted to £1.0 million after deducting the Group's share of its losses. The Group's current commitment to invest in the share capital of Troy Homes' is £1.25 million, of which £250,000 has been called and paid up. In addition, at the date of the signing of the financial statements, the Group has committed to provide loan notes of £3.0 million, of which £0.9 million has been drawn down. The loan notes attract a rate of interest of 8% per annum. Amounts owed by associates of £3.4 million is in respect of two sites sold to Troy Homes as disclosed in note 6 to this preliminary report.

In support of the growth strategy we have for the business, the Group has continued to invest in both land and work in progress, with inventories increasing from £121.0 million to £146.8 million. This excludes any land or work in progress within joint ventures.

The cash balances at the year-end amounted to £16.7 million (2015: £21.4 million) and net borrowings (loans and accrued ZDP liability less cash) were £54.6 million (2015: £34.9 million) representing net gearing of 47.0% (2015: 39.2%) on net assets of £116.0 million (2015: £89.0 million) or 29.5% on EPRA net assets of £184.7 million. Net gearing is defined as loans and accrued ZDP liability less cash as a proportion of net asset value or EPRA net asset value.

Since the year end, the Group has secured a four-year revolving credit facility with a fund for up to £25.0 million to acquire land without planning permission, as well as a committed facility of £27.0 million with Secure Trust Bank, which has a five-year term. This has been fully drawn down and will result in an annual saving in funding costs of approximately £1.0 million.

At 30 June 2016 other financial liabilities of £22.4 million, includes £15.0 million that relates to the deferred consideration on Wilton Park, Beaconsfield due in May 2017. This sum is secured by way of a charge over part of this site which was professionally valued at £18.8 million. The remaining balance relates to three further sites, all of which were settled in full by the date these financial statements were signed.

During the year, the Group raised a further £1.3 million by issuing 1,028,400 Zero Dividend Preference Shares. The total accrued liability as at 30 June 2016 amounted to £14.6 million. These shares are governed by various covenants and are due for repayment on 10 April 2019.

Nishith Malde
Finance Director
13 October 2016

# GROUP INCOME STATEMENT (audited)

FOR THE YEAR ENDED 30 JUNE 2016

| Continuing operations | Note | 2016 £000 | 2015 £000 |
|---|---|---|---|
| Revenue | 2 | **101,910** | 114,219 |
| Cost of sales | 2 | **(72,329)** | (79,841) |
| **Gross profit** | | **29,581** | 34,378 |
| Administrative expenses | | **(6,297)** | (6,021) |
| Profit on sale of PPE | | **9** | - |
| Provision for doubtful debt | | **(1,106)** | - |
| Fair value adjustments on DGVL option | | **-** | (541) |
| Revaluation of investment properties | | **18,015** | 14,519 |
| **Operating profit** | | **40,202** | 42,335 |
| Finance cost - interest expense | | **(7,425)** | (8,373) |
| Finance income - interest receivable and similar income | | **477** | 201 |
| **Profit before tax and share of profits from joint ventures and associates** | | **33,254** | 34,163 |
| Share of loss of associates | | **(138)** | - |
| Share of loss of joint ventures | | **(232)** | (135) |
| **Profit before tax** | | **32,884** | 34,028 |
| Income tax | 3 | **(3,543)** | (5,078) |
| **Total profit and comprehensive income for the year** | | **29,341** | 28,950 |
| **Attributable to:** | | | |
| - Shareholders of the Company | | **28,742** | 29,680 |
| - Non-controlling interests | 10 | **599** | (730) |
| **Earnings per share for profit attributable to the equity holders of the Company during the year** | | | |
| - basic | 4 | **14.23p** | 14.67p* |
| - diluted | 4 | **13.47p** | 14.20p* |

*prior year comparatives have been restated. Further details can be found in note 4.

# GROUP STATEMENT OF FINANCIAL POSITION (audited)

AT 30 JUNE 2016

| | Note | 2016 £000 | 2015 £000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investment properties | 5 | **51,705** | 34,000 |
| Property, plant and equipment | | **480** | 332 |
| Investment in subsidiaries | | **-** | - |
| Investment in associates | 6 | **113** | - |
| Loans to associates due in more than one year | | **894** | - |
| Investment in joint ventures | 6 | **1,216** | 1,488 |
| Loans to joint ventures due in more than one year | | **-** | 3,246 |
| Receivables due in more than one year | | **55** | 55 |
| Deferred tax due in more than one year | 7 | **338** | 548 |
| **Total non-current assets** | | **54,801** | 39,669 |
| **Current assets** | | | |
| Inventories | 8 | **146,825** | 121,031 |
| Trade and other receivables | | **6,816** | 7,998 |
| Amounts due from associates | | **3,372** | - |
| Amounts due from joint ventures | | **10,103** | - |
| Listed investments carried at fair value through profit and loss | | **1** | 1 |

| | Note | 2016 | 2015 |
|---|---|---|---|
| Cash and cash equivalents | | **16,723** | 21,377 |
| **Total current assets** | | **183,840** | 150,407 |
| **Total assets** | | **238,641** | 190,076 |
| **EQUITY** | | | |
| **Capital and reserves attributable to the Company's equity holders** | | | |
| Share capital | 9 | **20,281** | 20,281 |
| Share premium account | | **34,033** | 34,033 |
| Employee benefit trust | | **(713)** | (382) |
| Special reserve | | **6,059** | 6,059 |
| Retained earnings | | **56,372** | 28,806 |
| **Total equity attributable to shareholders of the Company** | | **116,032** | 88,797 |
| Non-controlling interests | 10 | **-** | 272 |
| **Total equity** | | **116,032** | 89,069 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Bank loans and overdrafts | | **19,010** | 25,192 |
| Other loans | | **21,135** | 18,724 |
| Trade and other payables | 11 | **18,656** | 14,862 |
| Corporation tax | 11 | **7,618** | 6,347 |
| Other financial liabilities | 12 | **22,369** | 10,881 |
| **Total current liabilities** | | **88,788** | 76,006 |
| **Non-current liabilities** | | | |
| Zero Dividend Preference shares | 12 | **14,607** | 12,372 |
| Other financial liabilities | 12 | **-** | 12,629 |
| Bank loans due in more than one year | | **16,535** | - |
| Payables due in more than one year | 11 | **2,679** | - |
| **Total non-current liabilities** | | **33,821** | 25,001 |
| **Total equity and liabilities** | | **238,641** | 190,076 |

## GROUP STATEMENT OF CHANGES IN EQUITY (audited)

FOR THE YEAR ENDED 30 JUNE 2016

| | **Share capital £000** | **Share premium £000** | **Employee Benefit Trust £000** | **Special reserve £000** | **Retained earnings £000** | **Total £000** | **Non-controlling interests £000** | **Total equity £000** |
|---|---|---|---|---|---|---|---|---|
| At 30 June 2014 | 20,280 | 34,033 | - | 6,059 | (281) | 60,091 | 1,002 | 61,093 |
| Share-based payments | - | - | - | - | 625 | 625 | - | 625 |
| Dividend payment | - | - | - | - | (1,217) | (1,217) | - | (1,217) |
| Reinstatement of deferred shares | 1 | - | - | - | (1) | - | - | - |
| Purchase of own shares for deferred bonus plan | - | - | (382) | - | - | (382) | - | (382) |
| Transactions with owners | 1 | - | (382) | - | (593) | (974) | - | (974) |
| Total comprehensive income for the year | - | - | - | - | 29,680 | 29,680 | (730) | 28,950 |
| Total changes in equity | 1 | - | (382) | - | 29,087 | 28,706 | (730) | 27,976 |
| At 30 June 2015 | 20,281 | 34,033 | (382) | 6,059 | 28,806 | 88,797 | 272 | 89,069 |
| Share-based payments | - | - | - | - | 665 | 665 | - | 665 |
| Dividend payment | - | - | - | - | (2,832) | (2,832) | - | (2,832) |
| Purchase of own shares for deferred bonus plan | - | - | (331) | - | - | (331) | - | (331) |
| Transactions with owners | - | - | (331) | - | (2,167) | (2,498) | - | (2,498) |
| Non-controlling interest acquired during the year | - | - | - | - | 871 | 871 | (871) | - |
| Surplus arising on acquisition of non-controlling interests | - | - | - | - | 120 | 120 | - | 120 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Total comprehensive income for the year | - | - | - | - | 28,742 | 28,742 | 599 | 29,341 |
| Total changes in equity | - | - | (331) | - | 27,566 | 27,235 | (272) | 26,963 |
| **At 30 June 2016** | **20,281** | **34,033** | **(713)** | **6,059** | **56,372** | **116,032** | **-** | **116,032** |

# GROUP STATEMENT OF CASH FLOWS (audited)

FOR THE YEAR ENDED 30 JUNE 2016

| | **2016** | 2015 |
|---|---|---|
| | **£000** | £000 |
| **Cash flow from operating activities** | | |
| Profit for the year before tax | **32,884** | 34,028 |
| Adjustments for: | | |
| - depreciation | **179** | 120 |
| - profit on disposal of property, plant and equipment | **(9)** | - |
| - share-based payments | **665** | 625 |
| - fair value adjustment for the value of the DGVL option | **-** | 541 |
| - revaluation of investment properties | **(18,015)** | (14,519) |
| - interest expense | **7,425** | 8,373 |
| - interest and similar income | **(477)** | (201) |
| - share of loss of joint ventures | **232** | 135 |
| - share of loss of associates | **138** | - |
| Corporation tax payments | **(2,158)** | (678) |
| Change in working capital: | | |
| - (increase)/decrease in inventories | **(16,797)** | 13,819 |
| - decrease in trade and other receivables | **669** | 2,434 |
| - decrease in trade and other payables | **(2,781)** | (7,870) |
| **Net cash inflow from operating activities** | **1,955** | 36,807 |
| **Cash flow from investing activities** | | |
| Interest received | **-** | 199 |
| Purchases of property, plant and equipment | **(329)** | (299) |
| Purchases of investment property | **(1,021)** | (11,481) |
| Sale of property, plant and equipment | **12** | - |
| Acquisition of subsidiaries | **(804)** | (250) |
| Loans provided to joint ventures | **(5,810)** | (3,246) |
| Investment in joint ventures | **(202)** | (1,622) |
| Loans provided to associates | **(4,266)** | - |
| Investment in associates | **(251)** | - |
| **Net cash outflow from investing activities** | **(12,671)** | (16,699) |
| **Cash flow from financing activities** | | |
| Interest paid | **(5,203)** | (7,172) |
| Repayment of borrowings | **(28,417)** | (36,568) |
| New loans | **42,845** | 35,544 |
| Equity dividends paid to ordinary shareholders | **(2,832)** | (1,217) |
| Purchase of own shares for Long Term Incentive Plan | **(331)** | (382) |
| **Net cash inflow/(outflow) from financing activities** | **6,062** | (9,795) |
| **Net (decrease)/increase in cash and cash equivalents** | **(4,654)** | 10,313 |
| **Net cash and cash equivalents at beginning of year** | **21,377** | 11,064 |
| **Net cash and cash equivalents at end of year** | **16,723** | 21,377 |

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

**NOTES TO THE GROUP PRELIMINARY ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2016**

**1. ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of this preliminary announcement are set out below.

**Basis of preparation**

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs in November 2016.

The accounting policies that have been applied in the opening Statement of Financial Position have also been applied throughout all periods presented in this preliminary announcement. These accounting policies comply with each IFRS that is mandatory for accounting periods ended on 30 June 2016.

At the date of approval of this preliminary announcement, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

**Standards in issue but not yet effective**
New standards and interpretations currently in issue but not effective, based on EU mandatory effective dates, for accounting periods commencing on 1 July 2015 are:

- IFRS 15 Revenue from Contracts with Customers (EU effective date 1 January 2018)
- IFRS 9 Financial Instruments (EU effective date 1 January 2018)
- IFRS 16 Leases (EU effective date 1 January 2019)
- Amendments to IFRS 11 Accounting for Acquisition of Interests in Joint Operations (EU effective date 1 January 2016)
- Amendments to IAS 16 & IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (EU effective date 1 January 2016)
- Amendments to IAS 27 Equity Method in Separate Financial Statements (EU effective date 1 January 2016)
- Annual Improvements to IFRSs (2012-2014 cycle) (EU effective date 1 January 2016)
- Amendments to IAS 1 Disclosure Initiative (EU effective date 1 January 2016)
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (postponed indefinitely).

The Group is in the process of assessing the impact of these new standards and interpretations on its financial reporting.

**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 risk. The Directors have considered the present economic climate, the state of the housing market and the current demand for land with planning consent. The Group has continued to see an increase in demand for consented land in the areas in which it operates. The Group has significant forward sales of residential units and is in discussions for the sale of some of the land within its projects and expects to make sufficient disposals in the foreseeable future to ensure it has adequate working capital for its requirements. The Directors are satisfied that the Group will generate sufficient cash to meet its liabilities as and when they fall due for a period of at least 12 months from the date of this preliminary announcement. The Directors therefore consider it appropriate to prepare this preliminary announcement on the going concern basis.

**Basis of consolidation**
The Group's financial information consolidates the financial information of the Company and all of its subsidiary undertakings drawn up to 30 June 2016. Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the subsidiary; exposure, or rights to, the variable returns from its involvement with the subsidiary; and the ability to affect those returns through its power over the subsidiary. The Group obtains and exercises control through voting rights, development agreements and option agreements.

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 information 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 acquisition method. The method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities and non-controlling interests of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial information 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 the fair value of the consideration transferred over the fair value of the Group's share of the identifiable net assets and non-controlling interests of the acquired subsidiary at the date of acquisition.

At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. Where such acquisitions are not judged to be the acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based upon their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

**Joint ventures**
Joint ventures are entities in which the Group has shared control with another entity, established by contractual agreement. Jointly controlled entities are accounted for using the equity method from the date that joint control is obtained to the date that the joint control of the entity ceases. All subsequent changes to the share of interest in the equity of the joint venture are recognised in the Group's carrying amount of the investment. Changes resulting from the profit or loss generated by the joint venture are recognised in the Group's carrying amount of the investment. Changes resulting from the profit or loss generated by the joint venture are reported in 'share of profits of joint venture' in the Group Income Statement and therefore affect the net results of the Group. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of assets and liabilities. If the share of losses equals its investment, the Group does not recognise further losses, except to the extent that there are amounts receivable that may not be recovered or there are further commitments to provide funding. Both realised and unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's

investment in joint ventures. Realised and unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the joint ventures are consistent with those of the Group.

**Associates**
Where the Group has significant influence but not control or joint control over the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recorded in the Group Balance Sheet at cost. Changes resulting from the Group's share of post-acquisition profits and losses 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 the net results of the Group. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of assets and liabilities. If the share of losses equals its investment, the Group does not recognise further losses, except to the extent that there are amounts receivable that may not be recovered or there are further commitments to provide funding. The accounting policies of the associate are consistent with those of the Group.

**Business combinations**
At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. Where such acquisitions are not judged to be the acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based upon their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

**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 and residential units**
Revenue from the sale of land is recognised on legal completion 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 when contracts have been completed, which is when title passes;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the land sold which is 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.

**Contract income**
The Group acts as a main contractor on certain building projects, primarily on behalf of housing associations where the Group must provide social housing units as part of its S106 obligations under the planning consent. Once the Group considers that the outcome of the contract can be reliably estimated, revenue and profit is recognised on the basis of the proportion of the contract that is completed. The stage of completion is determined by reference to the valuation certificate provided by a third party surveyor engaged to certify the value of works completed at various intervals in respect of the contract sum.

**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.

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

**Disposal of assets**
The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the Group Income Statement.

**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% |
| Leasehold property | - Over shorter of lease term and useful economic life |

Material residual value estimates are reviewed as required, but at least annually.

**Investment property**
Investment properties are those properties which are not occupied by the Group and which are held for long-term rental yields, capital appreciation or both. Investment property also includes property that will be developed for future use as investment property.

Investment properties are initially measured at cost, including related transaction costs. At each subsequent reporting date, they are remeasured to their fair value. Movements in fair value are included in the Group Income Statement.

Subsequent expenditure is capitalised to the asset's carrying value only where it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Any gain or loss resulting from the sale of an investment property is immediately recognised in the Group Income Statement. An investment property shall be derecognised on disposal. When the Directors consider that the status of the property has changed to being a development property it is transferred to inventories. A property is transferred to inventories when it has been decided that the units being constructed will be sold and no future rental income is expected. When a partial disposal or transfer is made, the proportion relating to the disposal or transfer is derecognised.

Where the Group employs professional valuers the valuations provided are subject to a comprehensive review to ensure they are based on accurate and up-to-date tenancy and market information. Discussions are also held with the valuers to test the valuation assumptions applied and comparable evidence utilised to ensure they are appropriate in the circumstances.

**Inventories**
Inventories consist of land and work in progress and are valued at the lower of cost and net realisable value. Cost includes the purchase of sites, the cost of infrastructure and construction works, and legal and professional fees incurred during development prior to sale. Net realisable value is estimated based upon the future expected selling price, less estimated costs to sell.

**Taxation**
Current tax is the tax currently payable based on taxable profit for the period calculated using tax rates and laws substantively enacted at the reporting date.

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 and laws 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 or directly in equity in which case the related deferred tax is also recognised in other comprehensive income or equity respectively.

**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 retirement benefit 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 shared-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 for share options and the Monte Carlo simulation technique for LTIPs. 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. The Black-Scholes model is used to value the share options because it relies on fixed inputs and the options do not have non-standard features. The Monte Carlo simulation is more suitable to value LTIPs as they depend on the share price changing over time and therefore have more complex vesting conditions than the share options.

Share options are awarded to all eligible members or staff on a discretionary basis and there are no service or performance conditions attached to them, other than that the member of staff awarded the options are still employed by the Company at the time of the options being exercised. LTIPs are awarded to the three Executive Directors based on share price performance.

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/LTIPs expected to vest. Estimates are subsequently revised if there is any indication that the number of share options/LTIPs 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/LTIPs ultimately exercised are different to that estimated on vesting.

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

The Executive Directors receive 50% of bonuses in shares which are purchased by the Employee Benefit Trust and the remaining 50% in cash. The number of shares purchased correspond to the number of shares which would have been able to be purchased at the closing price on 30 June for the relevant year. The shares will be transferred to the Directors three years after the period to which they relate.

**Employee benefit trust**
The Directors consider that the Employee Benefit Trust (EBT) is under the de facto control of the Company as the trustees look to the Directors to determine how to dispense the assets. Therefore, the assets and liabilities of the EBT have been consolidated into the Group accounts. The EBT's investment in the Company's shares is eliminated on consolidation and shown as a deduction against equity. Any assets in the EBT will cease to be recognised in the Group Statement of Financial Position when those assets vest unconditionally in identified beneficiaries.

**Financial assets**
Financial assets are divided into the following categories: loans and receivables and financial assets at fair value through profit or loss. 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 or loss are initially recognised at fair value plus transaction costs. Financial assets categorised 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 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 reclassified subsequently.

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 associates and joint ventures 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, discounted at the original effective interest rate.

Interest and other income resulting from holding financial assets are recognised in the Group Income Statement.

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 flow 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.

**Borrowing costs**
The Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset where developments are considered to fall under the requirements of IAS 23 Borrowing Costs (Revised). Qualifying assets are those which are being constructed over a significant period of time. The Directors consider a significant period of time to be over 12 months. Otherwise the Group expenses borrowing costs in the period to which they relate through the income statement 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.

**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.

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.

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 in 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 a general meeting prior to the year end date. Interim dividends are recognised when paid.

**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;
- 'Employee benefit trust' represents the purchase of the Company's own shares and are deducted from total equity until they are issued to employees under the Long Term Incentive Plan;
- 'Special reserve' represents the distributable surplus created by the transfer of an amount from the share premium to rectify the deficit which existed on the retained earnings reserve; and
- 'Retained earnings reserve' represents retained profits.

**Segment information**

In accordance with IFRS 8, information is disclosed to enable users of financial statements to evaluate the nature and financial effects of the business activities in which the Group engages.

In identifying its operating segments, management differentiates between land sales, housebuilding, contract income, rental income, hotel income and other income. These segments are based on the information reported to the chief operating decision maker and represent the activities which generate significant revenues, profits and use of resources within the Group. An analysis of the Group's results by segment is disclosed in note 2.

**Critical accounting estimates and judgements**

In the process of applying the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions that may affect the financial information. The Directors believe that the judgements made in the preparation of the financial information are reasonable. However, actual outcomes may differ from those anticipated. Critical accounting estimates include the Directors' assessment of the net realisable value of inventories, the Directors' assessment of fair value of investment properties not externally valued, the recognition of tax and deferred tax assets and liabilities, the Directors' assessment of the fair value of derivatives and other financial instruments, the Directors' assessment of the fair value of assets and liabilities acquired with business combinations and the discounting on deferred consideration of inventories and acquisition of shares. Critical accounting judgements include the decision whether or not to consolidate a company into the Group and how to account for investments in joint ventures and associates.

**2. GROUP INCOME AND SEGMENTAL ANALYSIS**

The Group generates income by way of land sales. It also generates income from housebuilding, contracting, rental income, hotel income, investments and investment properties. These operating segments are monitored and strategic decisions are made on the basis of segment operating results. The segmental analysis of operations is as follows:

*Segmental analysis by activity*

| 2015 | Land sales £000 | House building £000 | Contract income £000 | Rental income £000 | Hotel income £000 | Investments £000 | Investment properties £000 | Other £000 | Total |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | 39,560 | 66,119 | 7,592 | 787 | - | - | - | 161 | **114,219** |
| Cost of sales | (22,553) | (52,317) | (4,943) | (28) | - | - | - | - | **(79,841)** |
| **Gross profit** | **17,007** | **13,802** | **2,649** | **759** | **-** | **-** | **-** | **161** | **34,378** |
| Administrative expenses | - | - | - | - | - | - | - | (6,021) | **(6,021)** |
| Loss on investments | - | - | - | - | - | (541) | - | - | **(541)** |
| Revaluation of investment properties | - | - | - | - | - | - | 14,519 | - | **14,519** |
| **Operating profit/(loss)** | **17,007** | **13,802** | **2,649** | **759** | **-** | **(541)** | **14,519** | **(5,860)** | **42,335** |
| Finance (cost)/income | (4,816) | (2,567) | - | - | - | (990) | - | 201 | **(8,172)** |
| **Profit/(loss) before tax and share of profits from joint ventures and associates** | **12,191** | **11,235** | **2,649** | **759** | **-** | **(1,531)** | **14,519** | **(5,659)** | **34,163** |
| Share of loss of joint ventures | - | - | - | - | - | (135) | - | - | **(135)** |
| **Profit/(loss) before tax** | **12,191** | **11,235** | **2,649** | **759** | **-** | **(1,666)** | **14,519** | **(5,659)** | **34,028** |
| Income tax | (2,530) | (2,331) | (550) | (157) | - | 233 | - | 257 | (5,078) |
| **Total profit/(loss) for the year** | **9,661** | **8,904** | **2,099** | **602** | **-** | **(1,433)** | **14,519** | **(5,402)** | **28,950** |

| 2016 | Land sales £000 | House building £000 | Contract income £000 | Rental income £000 | Hotel income £000 | Investments £000 | Investment properties £000 | Other £000 | Total |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | 43,311 | 51,458 | 2,936 | 2,089 | 1,704 | - | - | 412 | **101,910** |
| Cost of sales | (26,229) | (40,203) | (3,665) | (408) | (1,696) | - | - | (128) | **(72,329)** |
| **Gross profit/(loss)** | **17,082** | **11,255** | **(729)** | **1,681** | **8** | **-** | **-** | **284** | **29,581** |
| Administrative expenses | - | - | - | - | - | - | - | (6,297) | **(6,297)** |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Profit on sale of fixed assets | - | - | - | - | - | - | - | 9 | **9** |
| Provision for doubtful debt | - | - | - | - | - | - | - | (1,106) | **(1,106)** |
| Revaluation of investment properties | - | - | - | - | - | - | 18,015 | - | **18,015** |
| **Operating profit/(loss)** | **17,082** | **11,255** | **(729)** | **1,681** | **8** | **-** | **18,015** | **(7,110)** | **40,202** |
| Finance (cost)/income | (4,256) | (1,246) | - | - | - | 392 | (997) | (841) | **(6,948)** |
| **Profit/(loss) before tax and share of profits from joint ventures and associates** | **12,826** | **10,009** | **(729)** | **1,681** | **8** | **392** | **17,018** | **(7,951)** | **33,254** |
| Share of loss of associates | - | - | - | - | - | (138) | - | - | **(138)** |
| Share of loss of joint ventures | - | - | - | - | - | (232) | - | - | **(232)** |
| **Profit/(loss) before tax** | **12,826** | **10,009** | **(729)** | **1,681** | **8** | **22** | **17,018** | **(7,951)** | **32,884** |
| Income tax | (2,565) | (2,002) | 146 | (336) | (2) | (4) | (787) | 2,007 | (3,543) |
| **Total profit/(loss) for the year** | **10,261** | **8,007** | **(583)** | **1,345** | **6** | **18** | **16,231** | **(5,944)** | **29,341** |

Included within the 'Land sales' segment is land sales to housing associations which include construction works to 'Golden Brick'. The construction works to completion are included in the 'Contracting income' segment.

Included with the 'Housebuilding' segment are the sales of freehold reversions and customer's extras that arise as a by-product of house building activity.

Items included within 'Other' above do not produce significant income streams and are therefore not monitored separately by the Board, but as a group.

| **Transactions with customers making up 10% or more of revenue** | **2016 £000** | 2015 £000 |
|---|---|---|
| Land sales customer 1 | **15,077** | 19,000 |
| Land sales customer 2 | **-** | 12,000 |
| Housebuilding bulk sale customer 3 | **-** | 11,420 |
| Land sales customer 4 | **14,000** | - |
| | **29,077** | 42,420 |

All assets and revenues arose solely in the United Kingdom.

| **2015** | **Land £000** | **House building £000** | **Contracting £000** | **Hotel £000** | **Investments £000** | **Investment properties £000** | **Other £000** | **Total** |
|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | |
| **Non-current assets** | | | | | | | | |
| Investment properties | - | - | - | - | - | 34,000 | - | 34,000 |
| Property, plant and equipment | - | - | - | - | - | - | 332 | 332 |
| Investment in joint ventures | - | - | - | - | 1,488 | - | - | 1,488 |
| Loans to joint ventures due in more than one year | - | - | - | - | 3,246 | - | - | 3,246 |
| Receivables due in more than one year | - | 55 | - | - | - | - | - | 55 |
| Deferred tax due in more than one year | 58 | 57 | - | - | 28 | - | 405 | 548 |
| **Total non-current assets** | **58** | **112** | **-** | **-** | **4,762** | **34,000** | **737** | **39,669** |
| **Current assets** | | | | | | | | |
| Inventories | 90,530 | 29,709 | 792 | - | - | - | - | 121,031 |
| Trade and other receivables | 2,845 | 430 | - | - | 2,110 | 158 | 2,455 | 7,998 |
| Listed investments carried at fair value through profit and loss | - | - | - | - | 1 | - | - | 1 |
| Cash and cash equivalents | - | - | - | - | - | - | 21,377 | 21,377 |
| **Total current assets** | **93,375** | **30,139** | **792** | **-** | **2,111** | **158** | **23,832** | **150,407** |
| **Total assets** | **93,433** | **30,251** | **792** | **-** | **6,873** | **34,158** | **24,569** | **190,076** |
| **EQUITY** | | | | | | | | |
| **Capital and reserves attributable to the Company's equity holders** | | | | | | | | |
| Share capital | - | - | - | - | - | - | 20,281 | 20,281 |
| Share premium account | - | - | - | - | - | - | 34,033 | 34,033 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Employee benefit trust | - | - | - | - | - | - | (382) | (382) |
| Special reserve | - | - | - | - | - | - | 6,059 | 6,059 |
| Retained earnings | - | - | - | - | - | - | 28,806 | 28,806 |
| **Total equity attributable to shareholders of the Company** | **-** | **-** | **-** | **-** | **-** | **-** | **88,797** | **88,797** |
| Non-controlling interests | - | - | - | - | - | - | 272 | 272 |
| **Total equity** | **-** | **-** | **-** | **-** | **-** | **-** | **89,069** | **89,069** |
| **LIABILITIES** | | | | | | | | |
| **Current liabilities** | | | | | | | | |
| Bank loans and overdrafts | 5,000 | 4,692 | - | - | - | 15,500 | - | 25,192 |
| Other loans | 14,010 | 4,714 | - | - | - | - | - | 18,724 |
| Trade and other payables | 6,998 | 3,299 | 1,506 | - | 330 | - | 2,729 | 14,862 |
| Corporation tax | - | - | - | - | - | - | 6,347 | 6,347 |
| Other financial liabilities | 10,881 | - | - | - | - | - | - | 10,881 |
| **Total current liabilities** | **36,889** | **12,705** | **1,506** | **-** | **330** | **15,500** | **9,076** | **76,006** |
| **Non-current liabilities** | | | | | | | | |
| Zero Dividend Preference shares | - | - | - | - | - | - | 12,372 | 12,372 |
| Other financial liabilities | 12,629 | - | - | - | - | - | - | 12,629 |
| **Total non-current liabilities** | **12,629** | **-** | **-** | **-** | **-** | **-** | **12,372** | **25,001** |
| **Total equity and liabilities** | **49,518** | **12,705** | **1,506** | **-** | **330** | **15,500** | **110,517** | **190,076** |

| **2016** | **Land £000** | **House building £000** | **Contracting £000** | **Hotels £000** | **Investments £000** | **Investment properties £000** | **Other £000** | **Total** |
|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | |
| **Non-current assets** | | | | | | | | |
| Investment properties | - | - | - | - | - | 51,705 | - | 51,705 |
| Property, plant and equipment | - | - | - | - | - | - | 480 | 480 |
| Investment in associates | - | - | - | - | 113 | - | - | 113 |
| Loans to associates due in more than one year | - | - | - | - | 894 | - | - | 894 |
| Investment in joint ventures | - | - | - | - | 1,216 | - | - | 1,216 |
| Loans to joint ventures due in more than one year | - | - | - | - | - | - | - | - |
| Receivables due in more than one year | - | 55 | - | - | - | - | - | 55 |
| Deferred tax due in more than one year | 463 | 21 | - | - | 102 | (787) | 539 | 338 |
| **Total non-current assets** | **463** | **76** | **-** | **-** | **2,325** | **50,918** | **1,019** | **54,801** |
| **Current assets** | | | | | | | | |
| Inventories | 99,073 | 47,661 | 75 | 16 | - | - | - | 146,825 |
| Trade and other receivables | 3,420 | 162 | 440 | 172 | 402 | 3 | 2,217 | 6,816 |
| Amounts due from associates | - | - | - | - | 3,372 | - | - | 3,372 |
| Amounts due from joint ventures | - | - | - | - | 10,103 | - | - | 10,103 |
| Listed investments carried at fair value through profit and loss | - | - | - | - | 1 | - | - | 1 |
| Cash and cash equivalents | - | - | - | - | - | - | 16,723 | 16,723 |
| **Total current assets** | **102,493** | **47,823** | **515** | **188** | **13,878** | **3** | **18,940** | **183,840** |
| **Total assets** | **102,956** | **47,899** | **515** | **188** | **16,203** | **50,921** | **19,959** | **238,641** |
| **EQUITY** | | | | | | | | |
| **Capital and reserves attributable to the Company's equity holders** | | | | | | | | |
| Share capital | - | - | - | - | - | - | 20,281 | 20,281 |
| Share premium account | - | - | - | - | - | - | 34,033 | 34,033 |
| Employee benefit trust | - | - | - | - | - | - | (713) | (713) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Special reserve | - | - | - | - | - | - | 6,059 | 6,059 |
| Retained earnings | - | - | - | - | - | - | 56,372 | 56,372 |
| **Total equity attributable to shareholders of the Company** | **-** | **-** | **-** | **-** | **-** | **-** | **116,032** | **116,032** |
| **LIABILITIES** | | | | | | | | |
| **Current liabilities** | | | | | | | | |
| Bank loans and overdrafts | 105 | - | - | - | - | 18,905 | - | 19,010 |
| Other loans | 21,135 | - | - | - | - | - | - | 21,135 |
| Trade and other payables | 11,824 | 3,412 | - | 508 | 215 | 446 | 2,251 | 18,656 |
| Corporation tax | - | - | - | - | - | - | 7,618 | 7,618 |
| Other financial liabilities | 22,369 | - | - | - | - | - | - | 22,369 |
| **Total current liabilities** | **55,433** | **3,412** | **-** | **508** | **215** | **19,351** | **9,869** | **88,788** |
| **Non-current liabilities** | | | | | | | | |
| Zero Dividend Preference shares | - | - | - | - | - | - | 14,607 | 14,607 |
| Bank loans due in more than one year | 859 | 15,676 | - | - | - | - | - | 16,535 |
| Payables due in more than one year | 2,679 | - | - | - | - | - | - | 2,679 |
| **Total non-current liabilities** | **3,538** | **15,676** | **-** | **-** | **-** | **-** | **14,607** | **33,821** |
| **Total equity and liabilities** | **58,971** | **19,088** | **-** | **508** | **215** | **19,351** | **140,508** | **238,641** |

## 3. INCOME TAX

| | 2016 £000 | 2015 £000 |
|---|---|---|
| Current tax charge | **3,333** | 4,150 |
| Deferred tax charge | **210** | 928 |
| **Total** | **3,543** | 5,078 |

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profit on the Group companies as follows:

| | 2016 £000 | 2015 £000 |
|---|---|---|
| Profit before tax | **32,884** | 34,028 |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.00% (2015: 20.75%) | **6,577** | 7,061 |
| Expenses not deductible for tax purposes | **14** | 70 |
| ZDP interest not deductible for tax purposes | **177** | 129 |
| Adjustments to tax charge in respect of previous periods | **167** | - |
| Timing differences | **(576)** | 166 |
| Joint venture and associate tax losses not recognised | **-** | (28) |
| Prior year capital losses now recognised | **(2,816)** | (2,320) |
| Tax charge | **3,543** | 5,078 |

**4. EARNINGS AND NET ASSET VALUE PER SHARE**

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

| | 2016 | 2015 |
|---|---|---|
| Profit attributable to equity holders of the Company (£000) | **28,742** | 29,680 |
| Net assets attributable to equity holders of the Company (£000) | **116,032** | 88,797 |
| Weighted average number of ordinary shares in issue (000) | **201,957** | 202,368 |
| Dilutive effect of share options (000) | **2,413** | 1,985 |
| Dilutive effect of shares held in EBT (000) | **1,027** | 643 |
| Dilutive effect of growth shares (000) | **8,000** | 4,000 |
| Weighted average number of ordinary shares used in determining diluted EPS (000) | **213,397** | 208,996 |
| Basic earnings per share in pence | **14.23p** | 14.67p |
| Diluted earnings per share in pence | **13.47p** | 14.20p |
| Shares in issue (000) | **201,779** | 202,156 |

| | | |
|---|---|---|
| Net asset value per share in pence | **57.50p** | 43.92p |
| Diluted net asset value per share in pence | **54.42p** | 42.53p |

The Group's Employee Benefit Trust purchased 643,216 shares on 29 October 2014 and a further 383,850 shares on 20 December 2015 in Inland Homes plc under the terms of the Long Term Incentive Plan. These have been deducted from the weighted average number of ordinary shares in issue and also from the shares in issue at the year end.

The diluted EPS and net asset value per share for the prior year has been restated due to a change in the assumptions with regards to the contingently issuable shares. This has resulted in an increase of 0.44p per share for the diluted EPS and 1.35p per share for the diluted net asset value.

**5. INVESTMENT PROPERTIES**

| | **Commercial properties Level 3 £000** | **Residential properties Level 3 £000** | **Development land Level 3 £000** | **Total £000** |
|---|---|---|---|---|
| **Fair value** | | | | |
| At 30 June 2014 | - | - | 11,800 | 11,800 |
| Additions | - | 11,481 | - | 11,481 |
| Fair value adjustment | - | 14,519 | - | 14,519 |
| Transfer to inventories | - | - | (3,800) | (3,800) |
| At 30 June 2015 | - | 26,000 | 8,000 | 34,000 |
| Additions | 854 | 167 | - | 1,021 |
| Fair value adjustment | 111 | 17,904 | - | 18,015 |
| Transfer from/(to) inventories | - | 1,319 | (2,650) | (1,331) |
| **At 30 June 2016** | **965** | **45,390** | **5,350** | **51,705** |
| At 30 June 2015 | - | 26,000 | 8,000 | 34,000 |
| At 30 June 2014 | - | - | 11,800 | 11,800 |

The different valuation method levels are defined below.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

These levels are specified in accordance with IFRS 13 Fair Value Measurement. Our property valuation approach and process is set out within the 'Valuation and sensitivity' section of this note below. Property valuations are inherently subjective as they are made on the basis of assumptions made by the valuer which may not prove to be accurate. For these reasons we have classified the investment property valuations as Level 3 as defined by IFRS 13.

The Group's policy is to recognise transfers between fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There have been no transfers during the period.

At 30 June 2016, the Group's investment properties were valued at £51.7m (2015: £34.0m) and the historical costs were £13.0m (2015: £12.3m).

During the year a decision was made to build 68 homes at Poole for sale to the public. Therefore, a transfer at a fair value of £2.65m was made to inventories to reflect this decision.

Both the Poole and Wilton Park investment properties are pledged as security on borrowings.

**Income and expense**
During the year ended 30 June 2016 £642,000 (2015: £nil) rental and ancillary income from investment properties was recognised in the Group Income Statement. Direct operating expenses, including repairs and maintenance, arising from investment property that generated rental income amounted to £203,000 (2015: nil). The Group did not incur any direct operating expenses arising from investment properties that did not generate rental income (2015: £nil).

**Restrictions and obligations**
At 30 June 2016 there were no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal (2015: £nil).

There are no obligations to construct or develop the Group's residential or development land investment property. The Group has an obligation to complete the construction of its commercial investment property that had commenced at the balance sheet date. At 30 June 2016 contractual obligations to develop investment property amounted to £234,000 (2015: £nil).

**Valuation and sensitivity**
The Group's residential investment properties were valued by an independent external valuer, Savills, on the basis of 'open market value'. The valuer used the comparable method of valuation involving analysing data obtained from local selling prices for the entire portfolio, by property

type. The valuation report included the following statement from the valuer highlighting the potential future impact on property values of the result of the EU referendum: “The outcome of the Referendum on 23 June 2016 is now known - the United Kingdom will leave the European Union on terms and at a date which, as yet, are unknown. The uncertainty around the outcome and the resulting decision to leave the Economic Union had led to general political and financial uncertainty, the effect of which on the UK property market is as yet unclear. In view of this, we have less confidence than usual in the probability of our valuation coinciding exactly with the price achieved were there a sale and recommend that our valuation is kept under constant review. We also recommend that specific marketing advice is obtained should you wish to effect a disposal.”

If house prices fell by 5% this would result in a reduction in fair value of £2.3m.

The Group's development property is carried at fair value which has been established by the Directors using an internal appraisal model based on the 'residual method'. The inputs for this model are the market value of units to be constructed in accordance with the planning permission, the costs of any housebuilding, infrastructure, local authority fees and professional fees. The market value of the units has been assumed to be at a similar level to the prices obtained by the Group on earlier phases of the same development for similar property types. Housebuilding and infrastructure costs have been forecast using costs incurred by the Group on this or other similar developments with an allowance for cost increases. Local authority fees were agreed at the time of the signing of the planning permission and are therefore known costs. Professional fees are input using costs incurred on similar projects and finance holding costs are the Group's cost of debt capital. Using a profit margin of 20% this generated a land value for the remaining site of £5.35m. The Directors are of the opinion that developing the site reflects the highest and best use of this asset.

As a residual valuation model is used, if house prices were to fall by 5% this would result in a reduction in fair value of £1.3m in order to maintain a profit margin of 20% on the development. If costs should increase by 5% this would result in a reduction in fair value of £1.1m in order to maintain the required 20% profit margin.

The Group's commercial property at Leighton Buzzard is carried at fair value which has been established by the Directors using a rental yield of 6%. The annual rent used in this calculation is the subject of a lease with the Co-op. Costs to complete have been deducted from the fair value along with a suitable developer’s margin.

If rental values dropped by 5% the value of this property would decrease by £58,000.

**6. INVESTMENTS**

| | Option £000 | Investment in associates £000 | Investment in joint ventures £000 | Total £000 |
|---|---|---|---|---|
| **Cost or fair value** | | | | |
| At 30 June 2014 | 541 | - | - | 541 |
| Additions | - | - | 1,623 | 1,623 |
| Share of loss after tax | - | - | (135) | (135) |
| Fair value adjustment | (541) | - | - | (541) |
| Movement during the year to 30 June 2015 | (541) | - | 1,488 | 947 |
| At 30 June 2015 | - | - | 1,488 | 1,488 |
| Additions | - | 251 | 202 | 453 |
| Transfer to loans to joint ventures | - | - | (242) | (242) |
| Share of loss after tax | - | (138) | (232) | (370) |
| Movement during the year to 30 June 2016 | - | 113 | (272) | (159) |
| **Net book value** | | | | |
| **At 30 June 2016** | **-** | **113** | **1,216** | **1,329** |
| At 30 June 2015 | - | - | 1,488 | 1,488 |

On 18 December 2008, Inland entered into an Option and Development Services Agreement with DGVL which granted Inland Limited an option for a consideration of £250,000 to purchase the share capital of DGVL at an exercise price of £1. The initial period of the option was for one year from the date of the agreement and this could be extended on up to four occasions to a maximum period of ten years by making further payments. During the years ended 30 June 2010, 2011, 2012, 2013 and 2014, the option period was extended to expire on 15 January 2019 for a total consideration of £1,200,000. In accordance with the Group's accounting policy for financial assets, the option was measured at fair value at 30 June 2015, which resulted in a fair value loss of £541,000. During the year ended 30 June 2016 the Group exercised the option. After the accumulated NCI (non-controlling interests) was eliminated the Group recognised a surplus in the Statement of Changes in Equity of £120,000 on exercising the option.

At 30 June 2016, the Company, directly or indirectly, held equity of the following:

| Company name | Country of registration | Principal activity | Holding and voting rights | Class of shares |
|---|---|---|---|---|
| **Subsidiary undertakings** | | | | |

| | | | | |
|---|---|---|---|---|
| Inland Homes 2013 Limited | England & Wales | Holding company | 100% | Ordinary |
| Inland Limited | England & Wales | Real estate development | 100% | Ordinary |
| Poole Investments Limited | England & Wales | Real estate investment | 100% | Ordinary |
| Inland Housing Limited | England & Wales | Real estate development | 100% | Ordinary |
| Inland Finance Limited | England & Wales | Real estate development | 100% | Ordinary |
| Inland (Southern) Limited | England & Wales | Real estate development | 100% | Ordinary |
| Inland Homes (Essex) Limited | England & Wales | Real estate development | 100% | Ordinary |
| Inland Homes Developments Limited | England & Wales | Real estate development | 100% | Ordinary |
| Inland New Homes Limited | England & Wales | Real estate development | 100% | Ordinary |
| Exeter Road (Bournemouth) Limited | England & Wales | Real estate development | 100% | Ordinary |
| Inland ZDP plc | England & Wales | Provision of finance | 100% | Ordinary |
| Inland Helix Limited | England & Wales | Real estate development | 100% | Ordinary |
| Inland Property Limited | England & Wales | Real estate investment | 100% | Ordinary |
| Inland Commercial Limited | England & Wales | Real estate investment | 100% | Ordinary |
| Drayton Developments Limited | England & Wales | Real estate development | 100% | Ordinary |
| Leighton Developments Limited | England & Wales | Real estate development | 100% | Ordinary |
| Chapel Riverside Developments Limited | England & Wales | Real estate development | 100% | Ordinary |
| Bucks Developments Limited | England & Wales | Real estate development | 100% | Ordinary |
| Wilton Park Developments Limited | England & Wales | Real estate development | 100% | Ordinary |
| Drayton Garden Village Limited | England & Wales | Real estate development | 100% | Ordinary |
| Basildon United Football, Sports & Leisure Limited | England & Wales | Sports club | 100% | Ordinary |
| **Interests in joint ventures** | | | | |
| 10 Ant South Limited | England & Wales | Real estate investment | 50% | Ordinary |
| Aston Clinton S.A.R.L. | Luxembourg | Real estate development | 10% | Ordinary |
| Bucknalls Developments Limited | England & Wales | Real estate development | 50% | Ordinary |
| Inland (Stonegate) Limited | England & Wales | Real estate development | 50% | Ordinary |
| Project Helix Holdco Limited | England & Wales | Holding company | 20% | Ordinary |
| **Interests in associates** | | | | |
| Troy Homes Limited | England & Wales | Real estate development | 25% | Ordinary |

The joint ventures and associates listed above are accounted for using the equity method.

There are no restrictions on the ability of the Parent Company or its subsidiaries to transfer cash or other assets to or from other entities in the Group.

**INTERESTS IN SUBSIDIARY UNDERTAKINGS WITH SIGNIFICANT NON-CONTROLLING INTERESTS (NCI)**

**Drayton Garden Village Ltd**

The Group has consolidated DGVL, a property development company based in the UK. In prior years the Group neither directly nor indirectly owned any of the equity of that entity or had any voting rights. All the risks associated with DGVL were non-recourse to the Group. During the year ended 30 June 2016, the Group acquired the share capital of DGVL for a consideration of £804,000 and, after the elimination of NCI, this resulted in a gain of £120,000 recognised in the Statement of Changes in Equity. Set out below is the summarised financial information for DGVL, as this subsidiary had non-controlling interests that were material to the Group in the prior year. Amounts disclosed are before intercompany eliminations and therefore contain adjustments to recognise the Group's profit share, lowering the profits within the individual company to that of the non-controlling interest's share only:

**DGVL - Summarised statement of financial position**

| | **2016 £000** | 2015 £000 |
|---|---|---|
| Current assets | **4,458** | 21,463 |
| Current liabilities | **(1,239)** | (11,884) |
| **Current net assets** | **3,219** | 9,579 |
| Non-current assets | **-** | - |
| Non-current liabilities | **-** | (1,973) |
| **Non-current net liabilities** | **-** | (1,973) |
| **Net assets** | **3,219** | 7,606 |
| **Accumulated NCI** | **-** | 1,196 |

**DGVL - Summarised statement of total comprehensive income**

| | 2016 £000 | 2015 £000 |
|---|---|---|
| Revenue | **13,665** | 27,148 |
| Profit for the period | **4,389** | 2,303 |
| **Total comprehensive income** | **4,389** | 2,303 |
| **Profit allocated to NCI** | **175** | 194 |
| **Dividends paid to NCI** | **-** | - |

**DGVL - Summarised cash flow statement**

| | 2016 £000 | 2015 £000 |
|---|---|---|
| Cash flows from operating activities | **5,073** | 8,786 |
| Cash flows from financing activities | **(5,054)** | (8,685) |
| **Net increase in cash and cash equivalents** | **19** | 101 |

**Bucks Developments Group**

The Group has consolidated Bucks Developments Ltd (BDL) and its wholly owned subsidiary Wilton Park Developments Limited (WPDL), a real estate investment group based in the UK. In prior years the Group neither directly nor indirectly owned any of the equity of that group or had any voting rights. The Group had an option to purchase the site owned by WPDL and the rights to all profits and cash flows generated by sales to the Group resided with the shareholder of that company. All the risks associated with BDL and WPDL were non-recourse to the Group. During the year ended 30 June 2016 the Group acquired the share capital of BDL. Set out below is the summarised financial information for BDL and WPDL, as these subsidiaries had non-controlling interests that were material to the Group. Amounts disclosed are before intercompany eliminations:

**Bucks Developments Group - Summarised statement of financial position**

| | 2016 £000 | 2015 £000 |
|---|---|---|
| Current assets | **19,711** | 21,958 |
| Current liabilities | **(18,150)** | (4,853) |
| **Current net assets** | **1,561** | 17,105 |
| Non-current assets | **5,254** | - |
| Non-current liabilities | **(787)** | (15,000) |
| **Non-current net assets** | **4,467** | (15,000) |
| **Net assets** | **6,028** | 2,105 |
| **Accumulated NCI** | **-** | (924) |

**Bucks Developments Group - Summarised statement of total comprehensive income**

| | 2016 £000 | 2015 £000 |
|---|---|---|
| Revenue | **619** | 18,010 |
| Profit for the period | **3,572** | 2,105 |
| **Total comprehensive income** | **3,572** | 2,105 |
| **Profit/(loss) allocated to NCI** | **424** | (924) |
| **Dividends paid to NCI** | **-** | - |

**Bucks Developments Group - Summarised cash flow statement**

| | 2016 £000 | 2015 £000 |
|---|---|---|
| Cash flows from operating activities | **588** | 514 |
| Cash flows from financing activities | **(588)** | (514) |
| **Net increase in cash and cash equivalents** | - | - |

**INTERESTS IN JOINT VENTURES**

**Aston Clinton S.A.R.L.**

In November 2014, the Group acquired a 10% interest in Aston Clinton S.A.R.L (Lux) whose purpose is to acquire a site near Aylesbury, Buckinghamshire, and obtain planning permission. The site has the potential for 400 residential plots. Under the terms of the joint venture agreement, the Group has an obligation to fund 50% of the costs of the site and is entitled to receive 50% of the net returns. The Group has made a capital investment of £1,196,000, which is accounted for as an Investment in Joint Ventures. The Group has also provided loans of £2,504,000 as at the balance sheet date, and this is accounted for as Amounts due from Joint Ventures within Current Assets in the Group Statement of Financial Position. This investment is accounted for using the equity method. Aston Clinton S.A.R.L. is based in Luxembourg and their accounts are prepared under Luxembourg GAAP (Lux GAAP). £432,000 (to date: £578,000) recognised as an operating expense under Lux GAAP in the Statement of Comprehensive Income has been reclassified as inventories in current assets in order to bring the accounts into line with IFRSs. Similarly, £6.8m held as fixed assets under Lux GAAP has been reclassified as inventories in current assets.

**Aston Clinton S.A.R.L. - summarised statement of financial position**

| | As at 30 June 2016 £000 | As at 30 June 2015 £000 |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | 36 | 8 |
| Other current assets | 7,348 | 7,084 |
| **Total current assets** | 7,384 | 7,092 |
| **Current liabilities** | | |
| Financial liabilities (excluding trade payables and provisions) | 4,938 | 4,428 |
| Other current liabilities | 77 | 52 |
| **Total current liabilities** | 5,015 | 4,480 |
| **Net assets** | 2,369 | 2,612 |
| | | |
| Reporting entity's share in % | 50% | 50% |
| Reporting entity's share in £000 | 1,185 | 1,306 |
| Goodwill £000 | 12 | (65) |
| **Carrying amount at year end £000** | **1,197** | **1,241** |

**Aston Clinton S.A.R.L. - summarised statement of total comprehensive income**

| | 12 months to 30 June 2016 £000 | 8 months to 30 June 2015 £000 |
|---|---|---|
| Revenue | - | 54 |
| Interest income | - | 1 |
| Interest charge | **(272)** | (191) |
| Income tax expense | **(1)** | (5) |
| **Total comprehensive income** | **(273)** | (141) |

**Project Helix Group**

In December 2014, the Group entered into a joint venture with CPC Group Ltd (CPC) to purchase land, obtain planning permission and ultimately sell the land. Under the terms of the joint venture, the Group owns 20% of the share capital and is obliged to fund 20% of the costs of the sites acquired by the joint venture. A 'waterfall' calculation determines the amount of profit to be received by the Group, using performance hurdles. Along with the Group's capital investment of £600, £3,902,000 of loans have been provided, which is accounted for as Amounts due from Joint Ventures within Current Assets in the Group Statement of Financial Position. This investment is accounted for using the equity method. Project Helix is based at the Company's registered office. Project Helix purchased land in Ashford, Middlesex for £12.9m, £3.3m of which was deferred and outstanding at 30 June 2016. Under the terms of the joint venture agreement the Group must fund £660,000 of this amount. The results below are for both Project Helix Holdco Ltd and its subsidiary undertakings: High Wycombe Developments Ltd; High Wycombe Developments No. 2 Ltd; and Brooklands Helix Developments Ltd.

**Project Helix Group - summarised statement of financial position**

| | As at 30 June 2016 £000 | As at 30 June 2015 £000 |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | **148** | 105 |
| Other current assets | **22,659** | 5,605 |
| **Total current assets** | **22,807** | 5,710 |

| | | |
|---|---|---|
| **Current liabilities** | | |
| Financial liabilities (excluding trade payables and provisions) | **3,325** | 5,648 |
| Other current liabilities | **19,819** | 62 |
| **Total current liabilities** | **23,144** | 5,710 |
| **Net liabilities** | **(337)** | - |
| | | |
| Reporting entity's share in % | 20% | 20% |
| Reporting entity's share in £000 | (67) | - |
| Goodwill in £000 | 68 | 247 |
| **Carrying amount at year end in £000** | 1 | 247 |

**Project Helix Group- summarised statement of total comprehensive income**

| | 12 months to 30 June 2016 £000 | 8 months to 30 June 2015 £000 |
|---|---|---|
| Revenue | **84** | - |
| Operating expenses | **(33)** | (4) |
| Shareholder interest | **-** | (173) |
| **Total comprehensive income** | **51** | (177) |

**Bucknalls Developments Ltd**

In December 2015, the Group entered into a joint venture with two individuals to purchase land, obtain planning permission and develop approximately 100 homes in Garston, Hertfordshire. Under the terms of the joint venture, the Group owns 50% of the share capital, is obliged to fund 50% of the costs of the site and is entitled to receive a management fee and 50% of the returns. Along with the Group's capital investment of £19,000, loans of £2,680,000 have been provided which are accounted for as Amounts due from Joint Ventures within Current Assets in the Group Statement of Financial Position. This investment is accounted for using the equity method. Bucknalls Developments Ltd is based at the Company's registered office.

**Bucknalls Developments Ltd - summarised statement of financial position**

| | As at 30 June 2016 £000 |
|---|---|
| **Current assets** | |
| Cash and cash equivalents | - |
| Other current assets | 8,318 |
| **Total current assets** | 8,318 |
| **Current liabilities** | |
| Financial liabilities (excluding trade payables and provisions) | 8,258 |
| Other current liabilities | 72 |
| **Total current liabilities** | 8,330 |
| **Net liabilities** | (12) |
| | |
| Reporting entity's share in % | 50% |
| Reporting entity's share in £000 | (6) |
| Goodwill in £000 | 25 |
| **Carrying amount at year end in £000** | 19 |

**Bucknalls Developments Ltd - summarised statement of total comprehensive income**

| | 7 months to 30 June 2016 £000 |
|---|---|
| Revenue | - |
| Operating expenses | (1) |
| Interest | (11) |
| Income tax expense | - |

| | |
|---|---|
| **Total comprehensive income** | (12) |

**Inland (Stonegate) Ltd**

In November 2014, the Group entered into a joint venture whose purpose is to acquire a site in Cheshunt, Hertfordshire, obtain planning permission and ultimately sell the land. The site has the potential for 750 residential plots. Under the terms of the joint venture agreement, the Group has an obligation to fund 50% of the costs of the site and is entitled to receive 50% of the net returns. The Group has made a capital investment of £1 as at 30 June 2016, which is accounted for as an Investment in Joint Ventures. Funds of £1,017,000 have also been forwarded and are accounted for as Amounts due from Joint Ventures on the Group Statement of Financial Position. At 30 June 2016 Inland (Stonegate) Ltd had exchanged contracts to purchase the site in Cheshunt. After procuring a loan secured on the site to partially fund the completion, under the terms of the joint venture agreement the Group was liable to provide a further loan of £5m. As at the date of the signing of these financial statements this amount had been paid. This investment is accounted for using the equity method.

**Inland (Stonegate) Ltd - summarised statement of financial position**

| | **As at 30 June 2016 £000** |
|---|---|
| **Current assets** | |
| Cash and cash equivalents | - |
| Other current assets | 31,642 |
| **Total current assets** | 31,642 |
| **Current liabilities** | |
| Financial liabilities (excluding trade payables and provisions) | 30,017 |
| Other current liabilities | 1,625 |
| **Total current liabilities** | 31,642 |
| **Net liabilities** | - |
| | |
| Reporting entity's share in % | 50% |
| Reporting entity's share in £000 | - |
| Goodwill in £000 | - |
| **Carrying amount at year end in £000** | - |

**Inland (Stonegate) Ltd - summarised statement of total comprehensive income**

| | **1 month to 30 June 2016 £000** |
|---|---|
| Revenue | - |
| Operating expenses | - |
| Interest | - |
| Income tax expense | - |
| **Total comprehensive income** | - |

**INTERESTS IN ASSOCIATES**

**Troy Homes Ltd**

In October 2015 the Group acquired 25% of Troy Homes Ltd (Troy), a new premium housebuilder, and is entitled to 25% of the net returns. At 30 June 2016 the Group had made a capital investment of £74,000 and had provided loans of £894,000 which are accounted for as Loans to Associates within Non-Current Assets in the Group Statement of Financial Position. The Group has subscribed to a further £2.1m of loan notes and £1.25m of share capital which are payable when called for by the board of Troy. The Group has also sold 2 sites amounting to £2.8m on deferred terms to Troy during the year. There is a debtor of £3.4m (including VAT) in relation to these transactions in Amounts due from Associates within Current Assets. This investment is accounted for using the equity method, further details of which can be found in the accounting policies.

**Troy Homes Ltd - summarised statement of financial position**

| | **As at 31 March 2016 £000** |
|---|---|
| **Non-current assets** | |

| | |
|---|---|
| Tangible assets | **37** |
| **Total non-current assets** | **37** |
| **Current assets** | |
| Cash and cash equivalents | **111** |
| Other current assets | **10,367** |
| **Total current assets** | **10,478** |
| **Total assets** | **10,515** |
| **Current liabilities** | |
| Financial liabilities (excluding trade payables and provisions) | **9,475** |
| Other current liabilities | **637** |
| **Total current liabilities** | **10,112** |
| **Net assets** | **403** |
| | |
| Reporting entity's share in % | **25%** |
| Reporting entity's share in £000 | **101** |
| Negative goodwill in £000 | **(27)** |
| **Carrying amount at year end in £000** | **74** |

**Troy Homes Ltd - summarised statement of total comprehensive income**

| | **5 months to 30 June 2016 £000** |
|---|---|
| Revenue | **-** |
| Operating expenses | **(539)** |
| Interest | **(152)** |
| Income tax | **138** |
| **Total comprehensive income** | **(553)** |

**7. DEFERRED TAX**

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

| | **£000** |
|---|---|
| At 1 July 2015 | 548 |
| Income statement charge | (210) |
| **At 30 June 2016** | **338** |

The movement in deferred tax assets is as follows:

| | **Capital losses recognised on revaluation gain £000** | **Revaluation gain £000** | **Other £000** | **Share based compensation £000** | **Notional interest on deferred consideration £000** | **Total £000** |
|---|---|---|---|---|---|---|
| At 1 July 2015 | 2,797 | (2,797) | (148) | 406 | 290 | 548 |
| (Charged)/credited to income statement | 2,320 | (3,107) | 250 | 133 | 194 | (210) |
| **At 30 June 2016** | **5,117** | **(5,904)** | **102** | **539** | **484** | **338** |

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 has capital losses amounting to £10,702,000 (2015: £24,783,000) that have not been recognised as the Directors consider the realisation of the losses is not expected to crystallise in the future.

**8. INVENTORIES**

| | **2016 £000** | 2015 £000 |
|---|---|---|
| Stock and work in progress | **146,825** | 121,031 |

During the year, a total of £72,329,000 (2015: £79,841,000) of inventories was included in the Group Income Statement as an expense. The Group conducted a review of the net realisable value of its land bank in view of current market conditions. Where the estimated future net realisable value of the site is less than the carrying value within the Group Statement of Financial Position, the Group has impaired the land value. This has resulted in an impairment of £95,000 (2015: £300,000). The amount of loans and ZDP borrowings secured against inventories is £85.4 million (2015: £64.3 million).

**9. SHARE CAPITAL**

| | 2016 £000 | 2015 £000 |
|---|---|---|
| **Authorised** | | |
| 239,990,000 (2015: 239,990,000) ordinary shares of 10p each | **23,999** | 23,999 |
| 9,800 (2015: 9,800) redeemable shares of 10p each | **1** | 1 |
| 180 (2015: 180) deferred shares of 10p each | **-** | - |
| 12,000,000 (2015: 12,000,000) ZDP shares of 10p each | **1,200** | 1,200 |
| | **25,200** | 25,200 |

| | 2016 £000 | 2015 £000 |
|---|---|---|
| **Allotted, issued and fully paid – *ordinary, redeemable and deferred shares*** | | |
| 202,799,432 (2015: 202,799,432) ordinary shares of 10p each | **20,280** | 20,280 |
| 9,800 (2015: 9,800) redeemable shares of 10p each | **1** | 1 |
| 180 (2015: 180) deferred shares of 10p each | **-** | - |
| | **20,281** | 20,281 |

| | 2016 No. | 2016 £000 | 2015 No. | 2015 £000 |
|---|---|---|---|---|
| **Allotted, issued and fully paid - *ZDP shares*** | | | | |
| At 1 July | **10,285** | **1,029** | 10,285 | 1,029 |
| Issued for cash during the year | **1,028** | **103** | - | - |
| **At 30 June** | **11,313** | **1,132** | 10,285 | 1,029 |

**Ordinary shares**
Each share has the right to one vote and is entitled to participate in any distribution made by the Company, including the right to receive a dividend.

**Deferred shares**
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 shares (if any) shall be entitled to receive an amount equal to the nominal value of such deferred shares pro rata to their respective holdings.

**ZDP shares**
The ZDP shares carry no entitlement to any dividends or other distributions or to participate in the revenue or any other profits of the company. The ZDP shareholders have no right to receive notice of, or to attend or vote at, any general meeting of the company except in those circumstances set out in the Inland ZDP plc's Articles of Association, which would be likely to affect their rights or general interests.

The Group's Employee Benefit Trust purchased 643,216 shares on 29 October 2014 and a further 383,850 shares on 20 December 2015 in Inland Homes plc under the terms of the Long Term Incentive Plan. This is a separate entity which is consolidated in the Group's financial statements.

The Company operates an unapproved share option scheme. Awards under each scheme are made periodically to employees. Share options vest three years after the date of grant and have an exercise period of seven years from the date of vesting. The schemes are all equity-settled. The Company has used the Black-Scholes formula to calculate the fair value of outstanding share options and deferred shares. The assumptions applied to the Black-Scholes formula for share options issued and the fair value per option are detailed in the table below for options issued in the current and prior year.

The Company also operates a long term incentive plan (2013 LTIP) for the Executive Directors. The Company has used the Monte Carlo simulation technique to determine the fair value of the grant of the awards as the outcome of the performance targets depends on the Parent Company's share price. The assumptions applied to the Monte Carlo simulation and the fair value per Growth Share are detailed in the table below for any Growth Shares issued in the current or prior year.

| | Unapproved share options 2014/15 grant |
|---|---|
| Expected life of options based on options exercised to date | 3 years |
| Volatility of share price | 30% |
| Dividend yield | 2% |
| Risk free interest rate | 2.25% |
| Share price at date of grant | 70.25p |
| Exercise price | 70.25p |
| Fair value per option | £0.07 |

Volatility was calculated using historical share price information. No share options or Growth Shares were issued in the current year. No Growth Shares were issued in the prior year.

The charge calculated for the year ended 30 June 2016 is £665,000 (2015: £625,000) with a corresponding deferred tax asset at that date of £133,000 (2015: £126,000).

Volatility was assessed using the closing prices on the first business day of each month over the period since the shares have been listed.

A reconciliation of option movements over the year ended 30 June 2016 is shown below:

| | Number 000s | Weighted average exercise price pence |
|---|---|---|
| Outstanding at 30 June 2014 | 3,670 | 26.18p |
| Granted during the year | 410 | 70.25p |
| **Outstanding at 30 June 2015** | **4,080** | **30.61p** |
| Granted during the year | - | - |
| **Outstanding at 30 June 2016** | **4,080** | **30.61p** |
| **Exercisable at 30 June 2016** | **3,670** | **20.57p** |
| Exercisable at 30 June 2015 | 3,120 | 16.74p |

In addition to the share options in the above table, there were 11,350,504 ordinary shares exchangeable for the Growth Shares outstanding, issued in December 2013, that do not have an exercise price but are subject to vesting conditions.

At 30 June 2016, outstanding share options granted over 10p ordinary shares were as follows:

| Share option scheme | Option price pence | Number | Dates exercisable |
|---|---|---|---|
| Company unapproved | 50.0p | 710,000 | 28 March 2010 to 27 March 2017 |
| Company unapproved | 16.5p | 605,000 | 17 December 2012 to 16 December 2019 |
| Company unapproved | 18.25p | 1,500,000 | 22 November 2013 to 21 November 2020 |
| Company unapproved | 17.5p | 305,000 | 25 June 2015 to 24 June 2022 |
| Company unapproved | 32.5p | 550,000 | 18 June 2016 to 17 June 2023 |
| Company unapproved | 70.25p | 410,000 | 22 June 2018 to 21 June 2025 |

The weighted average remaining life of share options outstanding at 30 June 2016 is four and a half years.

**10. NON-CONTROLLING INTERESTS**

The movement in the non-controlling interests is presented below.

| | WPDL £000 | DGVL £000 | Total £000 |
|---|---|---|---|
| Balance at 1 July 2015 | 924 | (1,196) | (272) |
| Non-controlling interests in the net result for the year | (424) | (175) | (599) |
| Purchase of non-controlling interests' share of subsidiaries | (500) | 1,371 | 871 |
| **Balance as at 30 June 2016** | **-** | **-** | **-** |

**11. TRADE AND OTHER PAYABLES**

| | **2016 £000** | 2015 £000 |
|---|---|---|

| | | |
|---|---|---|
| Trade payables | **3,871** | 4,425 |
| Other creditors | **4,687** | 3,675 |
| Social security, other taxes and VAT | **3,770** | 3,802 |
| Corporation tax | **7,618** | 6,347 |
| Provisions | **943** | - |
| Accruals and deferred income | **5,385** | 2,960 |
| Other creditors falling due in more than one year | **2,679** | - |
| | **28,953** | 21,209 |

**12. OTHER FINANCIAL LIABILITIES**

| | **2016 £000** | 2015 £000 |
|---|---|---|
| Purchase consideration on inventories falling due within one year | **22,369** | 10,881 |
| Purchase consideration on inventories falling due in more than one year | **-** | 12,629 |
| Zero Dividend Preference shares | **14,607** | 12,372 |
| | **36,976** | 35,882 |

The ZDP shares will be repaid on or before 10 April 2019.

**13. PUBLICATION OF NON-STATUTORY ACCOUNTS**

The financial information does not constitute the Company's statutory accounts for either the year ended 30 June 2016 or the year ended 30 June 2015, but is derived from those accounts. The Company's statutory accounts for 2015 have been delivered to the Registrar of Companies and those for 2016 will be delivered following the Company's Annual General Meeting. The Auditor's reports on both the 2015 and 2016 accounts were unqualified, did not draw attention to any matters by way of an emphasis of matter and did not contain any statement under Section 498(2) or 498(3) of the Companies Act 2006.

This statement is not being posted to shareholders. The Annual Report and Financial Statements will be posted to shareholders shortly. A copy will also be available on the Company's website, www.inlandhomes.co.uk in due course. Further copies are available on request to the Company Secretary at Inland Homes plc.