

INLAND ZDP PLC

AUDITED RESULTED FOR THE PERIOD ENDED 30 JUNE 2014

Chairman's Statement

I am pleased to present the Company's Annual Report and Accounts for the period ended 30 June 2014.

The Company is a wholly owned subsidiary of Inland and was established solely for the purpose of issuing and redeeming ZDP Shares. 8,500,000 and 849,900 ZDP Shares were issued on 14 December 2012 at 100 pence per share and 23 January 2013 at 103 pence per share respectively. A further issue of 934,900 ZDP Shares took place on 14 March 2014 at 118.5p per share. They will redeem on 10 April 2019 at a price of 155.9 pence per ZDP share giving a redemption yield of 7.3% per annum on the first placing, 6.92% per annum on the second and 5.57% per annum on the third. The proceeds of the ZDP Share issues were lent to Inland for use in future investment opportunities.

The results for the period are shown below. As at 30 June 2014 the ZDP Share price was 124.00 pence (2013: 109.75 pence), representing a premium of 11.4% (2013: 5.8%) over the net asset value per ZDP Share of 111.34 pence (2013: 103.78 pence).

The loan and contribution agreements between the Company and Inland contain certain protections for the Company which are intended to benefit its ZDP Shareholders. These include first charges over Pledged Assets (property) and Pledged Cash in a charged bank account. The Pledged Assets must have a book value of at least 120% of the accrued value of the ZDP Shares net of the Pledged Cash. As at 30 June 2014, the accrued amount due to ZDP Shareholders was £11,451,154 (2013: £9,695,756), the Pledged Cash was £10,471,000 (2013: £12,161,465) and the Pledged Assets had a book value of £20,746,770 (2013: £7,402,328), thereby satisfying this requirement.

The loan agreement also contained two covenants relating to asset cover and gearing, both of which are shown below as at 30 June 2014. The definitions of Assets and Financial Indebtedness are set out in the Prospectus published in connection with the issue of the ZDP Shares which is available at www.inlandhomes.co.uk/inland-zdp-plc.

Asset Cover:

Assets / Financial Indebtedness plus ZDP Final redemption Liability £97.19m / £33.29m = 2.9 times cover
The Asset Cover should be at least 1.8 times, so this covenant, which is tested quarterly, was satisfied at 30 June 2014.

Gearing:

Financial Indebtedness plus ZDP accrued liability / Assets £28.71m / £97.19m = 29.5%
The gearing ratio should not exceed 40% so this covenant was also satisfied at 30 June 2014.

The Board believes that the use of book values is generally conservative, because a substantial proportion of the Group's assets are properties for which planning consents are sought. The planning process takes time and any progress towards reaching the stage when building can commence is not reflected in an increase in the book values beyond the costs attributable to the relevant sites, whereas any diminution in value is reflected by way of impairment provisions, such that planning gains are not generally recognised in Inland's financial statements until sales are contracted. If the covenant ratios were to be calculated by reference to the market values of the assets, the cover would be higher and the gearing lower.

The board is pleased to note that Morningstar included the Company's ZDP shares in its published financial statistics during the financial year ended 30 June 2014. These include cover ratio statistics which are generally calculated on a different basis from that used for the covenant tests, deducting prior charges from the gross assets and dividing the result by the final redemption liability of the ZDP shares. In Inland's case, the ZDP Shares benefit from first charges over some of the Group's assets. As at 30 June 2014, Inland's Gross Assets of £126.63m (2013: £85.49m) divided by the final redemption liability of the ZDP Shares of £16.03m (2013: £14.58m) results in a cover ratio of 7.9 times (2013: 5.86 times).

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Chairman

Audited Statement of Comprehensive Income

For the year ended 30 June 2014

		Year ended 30 June 2014 £000	Period from 22 November 2012 to 30 June 2013 £000
Continuing operations	Note		
Revenue			
Interest income	2	723	346
Total income		723	346
Expenditure			
Expenses	3	—	—
Total expenditure		—	—
Profit before finance costs and taxation		723	346
Finance costs	4	(723)	(346)
Profit before tax		—	—
Income tax	5	—	—
Profit for the year and total comprehensive income		—	—
Earnings per share for profit attributable to the equity holders of the Company during the year	6	0.0p	0.0p

Audited Statement of Financial Position

At 30 June 2014

	Note	2014 £000	2013 £000
Non-current assets			
Intercompany receivable	9,11	11,602	9,771
		11,602	9,771
Creditors: amounts falling due after more than one year			
Zero Dividend Preference Shares	7	(11,552)	(9,721)
		(11,552)	(9,721)
Net assets		50	50
Equity			
Ordinary share capital	8	50	50
Shareholders' funds		50	50

Audited Statement of Changes in Equity

At 30 June 2014

	Share capital £000	Total £000
At 1 July 2012	—	—
Issue of equity	50	50
Result and total comprehensive income for the period from 22 November 2012 to 30 June 2013	—	—
At 30 June 2013	50	50
Result and total comprehensive income for the year	—	—
At 30 June 2014	50	50

Audited Statement of Cashflows

For the year ended 30 June 2014

	Year ended 30 June 2014 £000	Period from 22 November 2012 to 30 June 2013 £000
Cash flow from operating activities		
Profit for the period before tax	—	—
Adjustments for:		
– interest expense	723	346
– interest and similar income	(723)	(346)
Net cash flow from operating activities	—	—

Cash flow from investing activities		
Loan to ultimate parent company	(1,108)	(9,375)
Net cash outflow from investing activities	(1,108)	(9,375)
Cash flow from financing activities		
Proceeds on issue of ZDP Shares	1,108	9,375
Net cash inflow from financing activities	1,108	9,375
Net increase in cash and cash equivalents	—	—
Net cash and cash equivalents at beginning of period	—	—
Net cash and cash equivalents at the end of period	—	—

1. Accounting policies

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

Basis of preparation

The financial information has been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards ('IFRS') as adopted by the European Union. The financial information comprises the Statement of Financial Position as at 30 June 2014 and, for the year ended 30 June 2014, the related Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and related notes hereinafter referred to as 'financial information'. The principal accounting policies adopted by the Company are set out below.

The accounting policies that have been applied in the opening Statement of Financial Position have also been applied throughout all periods presented in these financial statements. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 30 June 2014. IFRS13 Fair Value Measurement became mandatory for the first time for the financial year beginning 1 July 2013 but has had no material impact on the results of the Company for the year ended 30 June 2014.

At the date of approval of these financial statements, 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 Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

- IFRS10 Consolidated Financial Statements
- IFRS11 Joint Arrangements
- IFRS12 Disclosure of Interests in Other Entities
- IAS27 (Revised) Separate Financial Statements
- IAS28 (Revised) Investments in Associates and Joint Ventures

Standards in issue but not yet effective

- IFRS9 Financial Instruments (effective 1 January 2018)
- IFRS15 Revenue from Contracts with Customers (effective 1 January 2017)
- IAS19 Employee Benefits (Revised June 2011) (effective 1 January 2014)
- Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS7 (effective 1 January 2014)
- Offsetting Financial Assets and Financial Liabilities — Amendments to IAS32 (effective 1 January 2014)

None of the standards above are expected to have an impact on the Company's financial statements.

Revenue

Interest income is recognised in revenue using the effective interest method on an accruals basis.

Expenses

All expenses are borne by the Company's parent company, Inland Homes plc.

Zero Dividend Preference Shares

Zero Dividends Preference Shares are recognised as liabilities in the Statement of Financial Position in accordance with IAS 32 Financial Instruments: Presentation. After initial recognition, these liabilities are measured at amortised cost, which represents the initial proceeds of the issuance plus the accrued entitlement to 30 June 2014.

Intercompany Receivable

Intercompany receivables are recognised as assets in the Statement of Financial Position in accordance with IAS 32 Financial Instruments: Presentation. After initial recognition they are measured at amortised cost which represents the initial loan plus the accrued interest receivable at the reporting date.

Finance Costs

Finance costs are calculated as the difference between the proceeds on the issue of Zero Dividend Preference Shares and the final liability and are charged as finance costs over the term of the life of these shares using the effective interest method.

Taxation

The charge for taxation is based on the taxable profits for the period. Taxable profit differs from profit before tax as reported in the Statement of Comprehensive Income because it excludes items of income or expenses that are never taxable or deductible. The Company's liability for tax is calculated using rates that have been enacted or substantively enacted by the reporting date.

Deferred taxation

Taxation deferred or accelerated can arise due to temporary differences between treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all temporary differences that have arisen, but not reversed, by the reporting date.

Equity

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

- 'Share capital' represents the nominal value of equity shares.

Key estimates and assumptions

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed reasonable. The resulting estimates will, by definition, seldom equal the related actual results.

The Company has entered into two agreements with its parent company, an interest free loan note agreement and an asset contribution agreement covering the final repayment of external ZDP liabilities. The directors consider that to correctly reflect the substance of the transactions these should be accounted for as one financial instrument.

Segment information

In accordance with IFRS8, information is disclosed to enable the users of financial statements to evaluate the nature and financial effects of the business activities in which the Company engages. The Board has identified that the sole operating segment is to provide the final capital entitlement of the Company's ZDP Shares to the holders of the ZDP Shares at the repayment date of 10 April 2019. Consequently, all information presented in these financial statements relate to that segment.

2. Income

	Year ended 30 June 2014 £000	Period from 22 November 2012 to 30 June 2013 £000
Other interest	723	346

3. Expenses

Administration expenses of £nil were suffered during the period (2013: £nil). All administration expenses, including auditor's remuneration, during the period were borne by the ultimate parent company, Inland Homes plc. Directors' remuneration was borne by a fellow subsidiary undertaking, Inland Limited.

4. Finance costs

	Year ended 30 June 2014 £000	Period from 22 November 2012 to 30 June 2013 £000
ZDP Share interest costs	723	346

5. Taxation

	Year ended 30 June 2014 £000	Period from 22 November 2012 to 30 June 2013 £000
Profit before tax	—	—
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 22.5% (2013: 24.0%)	—	—
ZDP Share interest costs disallowed	163	83
Group relief	(163)	(83)
Tax charge	—	—

6. Earnings per Ordinary Share

The calculation of earnings per share is based on a profit after tax figure for the period of £nil (2013: £nil) and the weighted average number of 50,000 Ordinary Shares in issue during the period. The basic and diluted earnings per share are the same.

7. Zero Dividend Preference Shares

	2014 No.	2014 £000	2013 No.	2013 £000
ZDP shares				
Opening ZDP shares	9,349,900	9,721	—	—
Issued during the period	934,900	1,108	9,349,900	9,375
ZDP Share interest cost	—	723	—	346
	10,284,800	11,552	9,349,900	9,721

Details of the terms of the issue of the ZDP Shares can be found in the Chairman's Statement.

8. Ordinary share capital

	2014 No.	2014 £000	2013 No.	2013 £000
Opening Ordinary Shares	50,000	50	—	—
Issued during the period	—	—	50,000	50
50,000 issued Ordinary Shares of £1 each	50,000	50	50,000	50

All Ordinary Shares are owned by the Company's parent company, Inland Homes 2013 Limited.

Each Ordinary Share is entitled to one vote at a general meeting.

In addition to receiving any income distributed by way of dividend, the ordinary shareholders will be entitled to all surplus assets after payment of all debts, including the ZDP Shares.

9. Financial instruments

The Company's financial instruments comprise fixed interest creditors classified as financial liabilities at amortised cost and loans and receivables.

The main risks arising from the Company's financial instruments are liquidity risk and funding risk and credit risk.

Liquidity and funding risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk is considered to be significant as the Company is reliant upon repayment from its ultimate parent company. Details of how the liquidity risk of the ultimate parent company is managed are contained within the financial statements of the ultimate parent company.

Contractual maturity analysis for financial liabilities

	2014 £000	2013 £000
	ZDP Shares final redemption figure	ZDP Shares final redemption figure
More than one year and less than five	16,034	—
Over five years	—	14,576
	16,034	14,576

Credit risk

This is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered with the Company.

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

Loans and receivables

	2014 £000	2013 £000
Amounts due from ultimate parent company	11,602	9,771

The Directors consider the carrying amounts to be a reasonable approximation of fair value.

The following table presents the fair value of financial liabilities that are carried at amortised cost in the Statement of Financial Position in accordance with the fair value hierarchy. This hierarchy groups financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial liabilities. The fair value hierarchy has the following levels:

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

The level within which the financial liability is classified is determined based on the lowest level of significant input to the fair value measurement.

If the financial liabilities were measured at fair value in the Group Statement of Financial Position they would be grouped into the fair value hierarchy as follows:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Net fair value at 1 July 2013	10,262	—	—	10,262
Additions	1,108	—	—	1,108
Fair value movements during the year	1,383	—	—	1,383
Net fair value at 30 June 2014	12,753	—	—	12,753

The ZDP shares are carried at their accrued value of 111.34p per share (2013: 103.78p) however their closing price on the main market of the London Stock Exchange on 30 June 2014 was 124.00p (2013: 109.75p). During the year 934,900 shares were issued at a price of 118.5p per share.

10. Capital management policies and procedures

The Company's objectives when managing capital are:

- to safeguard its ability to continue as a going concern; and
- to ensure sufficient liquid resources are available to meet the funding requirement of its ZDP shareholders.

The Directors consider that the capital management policies and procedures of the ultimate parent company will enable the Company to meet its objectives. Further details of the policies and procedures of Inland Homes plc can be found within its financial statements and include a target capital to overall financing ration of over 50%.

11. Related party transactions

The loan to Inland Homes plc is interest free and is repayable on the ZDP repayment date or immediately upon an event of default. At 30 June 2014, the loan to the ultimate parent company was £11,602,000 (2013: £9,771,000).

12. Holding company

The Company is a wholly owned subsidiary of Inland Homes 2013 Limited which is a wholly owned subsidiary of Inland Homes plc, a listed company whose shares are traded on the AIM market of the London Stock Exchange. Copies of its accounts for the year ended 30 June 2014 will shortly be available to view on Inland's website (www.inlandhomes.co.uk).

13. Responsibility and audit

The Directors are the persons responsible for the full annual report and financial statements. Each of the Directors confirms that to the best of his knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Strategic Report and the Report of the Directors includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties it faces.

The statutory financial statements have been audited by Grant Thornton UK LLP and their report was unqualified.

14. Publication of non-statutory accounts

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The Statement of Comprehensive Income, the Statement of Financial Position at 30 June 2014, the Statement of Changes in Equity and the Statement of Cashflows and associated notes for the year then ended have been extracted from the Company's financial statements. The statutory accounts for the period ended 30 June 2014 (on which the audit report has been signed) will be delivered to the Registrar of Companies.

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, at www.inlandhomes.co.uk/inland-zdp-plc in due course. Further copies are available on request to the Directors at Inland ZDP plc.

Copies of the Annual Report and Financial Statements have been submitted to the UK Listing Authority and will shortly be available for inspection on the National Storage Mechanism at: <http://www.morningstar.co.uk/uk/NSM>.