31 January 2020

Inland Homes plc

(the 'Company' or the 'Group')

Audited results for the 15-month period ended 30 September 2019

A YEAR OF MAJOR PROGRESS

SIGNIFICANT INCREASE IN VALUE OF LAND PORTFOLIO

Inland Homes plc (AIM: INL), a leading housebuilder, partnership housing developer and regeneration specialist, today announces its audited results for the 15-month period ended 30 September 2019.

Stephen Wicks, Chief Executive at Inland Homes, commented:

"This has been a period of major progress, with strong momentum across the Group. We now have our largest ever land bank, controlling more plots with planning-permission than at any other time, as well as seeing a continued expansion in the number of homes and partnership homes we are building.

"At Inland, we operate a simple and adaptable model focused on maximising the value of land: we acquire land, either directly or on behalf of investors, in areas of high demand in the South and South-East of England, add significant value by securing planning permissions and then generate further value through a mix of selling, building or providing turnkey solutions for partners.

"With the Group growing in scale and reputation, we now have all the elements in place to maximise the value of our owned and managed land portfolio in the short, medium and long term. Reflecting our confidence for the future, the Board is declaring a second interim dividend of 2.25p."

Financial highlights for the 15-month period*

- EPRA NAV up 13.2% to £233.9m (30 June 2018: £206.7m)
- EPRA NAV per share 113.69p per share (30 June 2018:102.28p)
- Revenue at £147.9m (30 June 2018: £147.4m)
- Gross profit at £32.5m (30 June 2018: £31.8m)
- Gross margin up to 22.0% (28 June 2018: 21.6%)
- Profit before taxation at £25.0m (30 June 2018: £19.3m)
- Net debt at £152.3m (30 June 2018: £79.7m), predominantly due to the increase in the land bank and work in progress; this is expected to fall as a number of realisations are achieved
- EPRA net gearing of 65.1% (30 June 2018: 38.6%)

- Second interim dividend of 2.25p per share, which together with the first interim dividend of 0.85p, makes a total dividend of 3.10p per share (30 June 2018: 2.20p)

***2018 data is for a 12-month period**

Operational highlights:

- Further acquisitions of high-quality sites - total land holdings at record 7,796 plots (30 June 2018: 6,870) with an anticipated gross development value (GDV) of £2.4bn
- Planning consent achieved at Wilton Park and Cheshunt Lakeside to deliver more than 1,500 homes driving a creditable increase in EPRA NAV:
    - Planning consent granted for Inland's flagship 100-acre site, Wilton Park, Beaconsfield, Buckinghamshire with an estimated GDV of £288m
    - Planning consent granted for Inland's largest-ever scheme, Cheshunt Lakeside, Cheshunt, Hertfordshire, with an estimated GDV of £429m
- Planning submission on a further major scheme on behalf of landowner at Hillingdon Gardens, formerly known as Master Brewer Hotel, with potential to deliver more than 500 homes
- Private Housing: 202 completions (30 June 2018: 275) as expected, reflecting the significant number of large-scale apartment schemes currently under construction. Continued strong demand with 892 homes under construction and a forward orderbook of £39.3m
- Partnership Housing: Revenues from partnership housing increased by 422% to £62.6m (30 June 2018: £12.0m) Exceptionally strong demand from housing associations underpins continued strong growth with 921 homes currently under construction (30 June 2018: 220)
- Land sales: 577 plots sold excluding joint ventures (30 June 2018: 837 plots)
- Hugg Homes: The Group's temporary modular housing venture made good progress with 54 units now let, producing gross revenues of approximately £500,000 per annum and other projects in the pipeline

Enquiries:

Inland Homes plc: Tel: +44 (0) 1494 762450
Stephen Wicks, Chief Executive
Nishith Malde, Finance Director
Gary Skinner, Managing Director

Panmure Gordon (UK) Limited Tel: +44 (0) 20 7886 2500
Dominic Morley
Erik Anderson

Instinctif Partners Tel: +44 (0) 20 7457 2020
Mark Garraway

James Gray

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

Inland's aim is to create sustainable communities and homes which set a benchmark for all future developments in the South and South East of England. The Company 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**.
Hugg Homes - **www.hugghomes.co.uk**
Rosewood Housing - **www.rosewoodhousing.co.uk**

Chairman's Statement

Inland Homes plc "Inland Homes" has adopted a diversified and adaptable business model that is reaping rewards for our stakeholders. The Group is progressing on its growth trajectory and building momentum. We have developed a reputation as experts in identifying the right land opportunities and in having the skills to secure planning permission on what are primarily complex brownfield sites.

While this entrepreneurial outlook remains a key part of our culture, our evolving strategy and diversification now provide us with the flexibility to realise more value from the land bank. Our business plan includes the provision of planning and management services, the sale of land where we have achieved planning consent, as well as forward sales of homes and construction contracts.

Operations

We have continued to grow while investing in high-quality staff and systems, at the same time as improving the quality of our building work and increasing the satisfaction of our customers and partners.

Revenue for the period was £147.9m (year ended 30 June 2018: £147.4m), in line with the Directors' expectations, and the land bank sits at a record 7,796 plots, of which 2,956 (38%) have planning permission.

Achieving planning consent for our 100-acre flagship scheme, Wilton Park, Buckinghamshire, and for our largest-ever scheme, at Cheshunt Lakeside, Hertfordshire, are significant milestones and achievements for the Group, together adding consent for more than 1,500 homes. These two consents have led to a respectable increase in the EPRA value of the Group's assets and provide a significantly improved pipeline for our business activities.

The Group's flexible model enables it to maximise market opportunities. A growing part of the Group's business is now providing planning and management services to investors in the property sector. During the period management fees increased by 675% to £18.6m (year ended 30 June 2018: £2.4m). This activity is an attractive proposition to the Group, with significantly reduced equity and debt exposure and strong operating margins.

Results and dividend

The Group achieved profit before tax of £25.0m for the period (year ended 30 June 2018: £19.3m). The EPRA net asset value per share has increased, from 102.28p to 113.69p per share, while net asset value per share has increased from 70.46p to 78.84p.

Net gearing increased to 93.9% in the period (30 June 2018: 56.0%) due to the increase in the Group's land bank and work in progress. Net debt is expected to fall in the year ahead due to sales receipts from large-scale apartment developments, securing land by way of discount to market value options, acquiring sites within our land asset management activity and expanding the Group's partnership housing activity.

With a substantial number of highly sustainable sites suitable for rental housing, we expect to secure build-to-rent opportunities in the new financial year. As we evaluate this opportunity and consider the best way to develop the sites at Wilton Park and Cheshunt Lakeside, we continue to consider actively our funding options including equity and further joint ventures with a view to maximising returns for shareholders.

In recognition of the Group's continued growth and its planning consent achievements, the Board has declared the payment of a second interim dividend of 2.25p per share. This, together with the first interim dividend of 0.85p (2018: 0.65p) per share already paid, will make total dividends of 3.10p (2018: 2.20p) per share. As a result, there will be no proposed final dividend for the 15-month period ended 30 September 2019.

Governance

A key function of the Board is to ensure good corporate governance at all times. The Board is fully committed to upholding the principles of good governance as set out in its chosen governance code, the Quoted Companies Alliances (QCA) Corporate Governance Code, and you will see further details on how we achieve this in the pages that follow.

We were pleased to announce the appointment of Kat Worth (ACG) as Group Company Secretary, effective from 5 March 2019. Kat has held a number of roles within the public and private sectors and before joining Inland Homes was Group Company Secretary to a large housing association based in London. There, her remit included acting as the Lead Officer for the Remuneration and Nominations committees, ensuring compliance with the provisions of the UK Corporate Governance Code and the FRC's guidance on board effectiveness. With Inland Homes adopting the QCA Code in 2018, Kat is playing a valuable role in ensuring the Group's ongoing compliance with the Code's requirements. There were no changes to the Non-executive Board members during this period.

Market trends

The lack of suitable housing in our target markets continues to result in sustained demand for the houses and apartments we build. However, we need focused and positive dialogue between the Government and industry in the face of ongoing political and regulatory uncertainty.

If the Government is to achieve its goal of building 300,000 new homes a year by the mid-2020s, the planning process needs further attention. Housebuilders spend an enormous amount of time and money obtaining consents and on clearing reserved matters within an outline planning consent. An extension or alternative to the existing Help to Buy scheme, due to end in 2023, will also be essential to keep the market moving.

Outlook

Having secured planning consent at Wilton Park and Cheshunt Lakeside, with a record number of homes under construction (both for private sale and on behalf of partners) and increased market confidence following the general election, Inland Homes has all the components in place to deliver even more success and shareholder value in the year ahead.

We have some very lucrative land opportunities in the pipeline which we are seeking to acquire with a capital light structure, in which the bulk of the capital is provided by investors. This will increasingly be a strategic focus for the Group.

Terry Roydon

Chairman

30 January 2020

Chief Executive review

This year, Inland Homes reached new heights for our land acquisition, construction and partnership activities. In line with our strategic priorities, we now have our largest-ever land bank; we own more plots with planning permission than at any time before; and have continued our year-on-year increase in the number of homes and partnership homes we are building.

Additionally, our agile business model is enabling us to seize new market opportunities, with increased demand for our asset management services, where we use our expertise and skills to secure planning permission on behalf of third parties.

Year highlights

Land

The gross development value of our entire land bank is now £2.4bn and its size has grown from 6,870 plots to a record 7,796 plots; 2,956 with planning consent.

This reporting period we achieved two significant planning consent milestones, with permission granted for both our flagship 100-acre site at Wilton Park in Beaconsfield, Buckinghamshire and for our largest-ever development, at Cheshunt Lakeside in Cheshunt, Hertfordshire.

Wilton Park has an estimated gross development value of £288m. We have secured an initial consent for 304 new homes plus 46 retained Service Family Accommodation dwellings and 1,730sqm of commercial space. There is also a draft allocation for further development on the site which, if adopted, could provide a further 250 homes and 18,500sqm of commercial space.

The Cheshunt Lakeside masterplan for 1,725 homes and 19,000sqm of commercial space will be one of the largest brownfield developments in the south-east. The Group owns and controls 1,253 plots on this site, with as estimated gross development value of £429m.

Achieving these consents follows several years of extensive consultation and maintains our unbroken track record in obtaining planning approvals on complex brownfield sites. Together, these two sites deliver consent for more than 1,500 new homes and have resulted in a considerable increase to our EPRA value of the Group's assets.

Demand for consented housebuilding land remains strong, with 577 plots sold in the period.

Build and partner

With the self-build and partnership arms of our Group growing in scale and reputation, in line with our strategic priorities, we have key pieces in place to fully maximise the value of this land across the short, medium and long term.

We now have 1,813 homes under construction across 12 schemes, five of which are partnership schemes. In total, 921 of the homes under construction are being built on behalf of partners; a 319% increase on the previous reporting period.

Having in-house construction capability gives greater control over a project and our costs. We can buy materials and employ subcontractors directly, build higher quality homes more efficiently, and offer customers a first-class service. Since appointing Gary Skinner as Group Managing Director in 2016, we have invested extensively in systems and personnel, and this is now starting to pay off.

Strategy

Identifying the right land opportunities is still the key to our success. Our ability to identify, purchase and secure planning approvals on complex sites enables us to maximise each site's potential, whether that is by selling, building or partnership activities.

The uncertainty over Brexit has caused considerable caution with first-time buyers. However, there remains a shortage of housing across the UK, property values and demand in the south and southeast,

where we operate, remain healthy, and we are already seeing increased market confidence following the General Election.

While the shortage of housing continues to underpin our overarching strategy, we have refined our strategic priorities to ensure we maximise current market opportunities and reduce risk as follows:

- Continue the key activity of identifying the right sites and securing planning;
- Increase the size of our strategic land bank where residential development is expected;
- Continue policy of selling appropriate plots when we have secured planning permission;
- Increase the number of homes built through partnership schemes; and
- Build private homes which meet the needs of the market.

Our strategic land bank of non-brownfield sites now makes up 3,523 of our 7,796 plots. These strategic sites have the potential for approximately 3,018 houses and 505 apartments. We hold these sites on 'discount to market value' options, which we are only required to exercise after we obtain planning consent, providing medium-term opportunities without significant capital investment. We will either sell these sites to other developers or feed them into our own growing housebuilding operations.

In line with our strategic priorities, we have also more than quadrupled our partnership activities this reporting period, to meet the exceptionally high demand from housing associations. These schemes reduce our exposure to any softening of the market. We realise an immediate cash injection from the land sale and recognise revenue and cash through monthly payments of certified work done for our customers. We see partnerships with housing associations and local authorities as our biggest growth opportunity.

Hugg Homes

Since launching last year, we have grown our temporary modular housing business, Hugg Homes, with 22 units tenanted in Southampton (six to Southampton Council) and 32 to Broxbourne Council. These 54 tenanted homes produce a gross rental income of about £500,000 a year.

Hugg Homes helps us realise additional value from land while it is going through the planning process. The modular units support local authorities and others in meeting short-term housing needs with a quality that ranks favorably against other options. With local authorities spending nearly £1bn a year on temporary accommodation in 2017-18, there is huge potential for market growth.

Rosewood Housing

Our subsidiary, Rosewood Housing, was registered as provider of social housing in August 2018. This reporting period we finalised its second deal, in September 2019, for the affordable housing at a new homes development in Tring.

Outlook

Our agile business model enables us to respond to the opportunities the market presents.

With the requirement for affordable homes being a priority for government and local authorities, there is exceptionally strong demand from housing associations for projects where we can provide both the land and construction service. With our track record of creating high-quality homes on time and budget, we are in a strong position to make the most of this increased demand. We are aiming to increase our share of this growing market and have created a land bank to achieve this objective.

We have some very lucrative land acquisition opportunities which we are seeking to engage in a 'capital light' structure, while our net borrowings reduce to improve our balance sheet. Specifically, we are now targeting pro-development London Boroughs, such as Barking and Dagenham, Waltham Forest and Hounslow. We believe we are in an excellent position to grow the partnership housing business significantly with the land bank we are creating.

In recent months and in the year ahead, our focus will be on acquiring land where we act as asset managers on behalf of third parties. We have a 100% success rate in securing planning consent on brownfield sites and have established a reputation for delivering on behalf of these stakeholders. This activity is light on our capital and at reduced risk to the Group while still providing enhanced financial contributions to Inland Homes. This reflects the expertise added by the Group in the management process.

With a substantial number of highly sustainable sites suitable for rental housing, we also expect to secure sales to build-to-rent operators in the current financial year. As we evaluate this opportunity and consider the best way to develop our sites at Wilton Park and Cheshunt Lakeside, we are actively exploring our funding options.

Stephen Wicks

Chief Executive Officer

30 January 2020

<u>Group Finance Director's review</u>

Key financial highlights:

- EPRA net assets: £233.9m as at 30 September 2019, a 13.2% increase from £206.7 million at 30 June 2018
- EPRA net assets per share as at 30 September 2019: 113.69p (30 June 2018: 102.28p)
- Revenue for the 15-month period to 30 September 2019: £147.9m (year to 30 June 2018: £147.4m)
- Profit before tax for the 15-month period to 30 September 2019: £25.0m (year to 30 June 2018: £19.3m)
- Net gearing as at 30 September 2019: 93.9% (30 June 2018: 56.0%)
- Net gearing on EPRA NAV basis as at 30 September 2019: 65.1% (30 June 2018: 38.6%)
- Second interim dividend for the 15-month period to 30 September 2019: 2.25p per share (year to 30 June 2018: final dividend 1.55p per share)

Introduction

On 6 June 2019, the Group changed its accounting reference date from 30 June to 30 September so that its reporting timetable was more closely aligned to value recognition and the operational cycles of the business. Consequently, the current period presented is 15 months and the comparative information is for 12 months throughout this report.

Over the past 15 months, the Group has made significant and tangible progress across its key performance segments which include its land activities, the provision of planning and management services to investors, private housebuilding and partnership housing activities.

During the 15-month period to 30 September 2019, the Group has continued to create substantial shareholder value from increasing its land portfolio and adding value through planning, as well as expanding both its private housebuilding and partnership housing programmes.

Operational performance

Revenue for the period to 30 September 2019 was £147.9m (year ended 30 June 2018: £147.4m). The small increase is due to lower revenues being generated from the sale of residential plots and a reduced number of private homes being completed during the period. This is due to the nature of our construction programme on a number of our large-scale apartment developments, where legal completions can only be achieved on handover of completed blocks.

The Group sold 532 plots excluding joint ventures (year ended 30 June 2018: 837 plots) for £29.2m (year ended 30 June 2018: £59.3m) and 130 private homes, excluding joint ventures and sale of reversionary freeholds (year ended 30 June 2018: 242 private homes) for £32.5m (year ended 30 June 2018: £70.2m).

The average selling price of our homes was £250,000 (year ended 30 June 2018: £293,000). The reduction is due to a change of mix of houses and apartments sold as well as the locations of the homes sold. Our net reservation rate per active outlet during the period was 0.73 (year ended 30 June 2018: 1.34).

The housing market has seen a marked improvement since the decisive outcome of the general election. Despite the nature of the eventual Brexit deal, the sales expectation indicators point towards a more upbeat trend in the housing market.

The Government's Help to Buy initiative continues to be a significant factor in the market with 65% (year ended 30 June 2018: 58%) of our homes sold (including joint ventures) using this scheme. Our forward sales of homes reserved and exchanged at 30 September 2019 amounted £26.0m. In addition, we have forward sold a hotel under construction at our development in Bournemouth for £13.3m.

Revenue from our partnership housing programme increased to £62.6m (year ended 30 June 2018: £12.0m). The Group has created a platform to use its land bank to grow this part of the business quite

significantly as it balances exposure to market risk and provides regular cash flow, requires no debt and deploys a limited amount of equity.

A growing part of the Group's business is procuring sites and providing planning and management services to investors in the property sector. The Group typically enters into a planning and management services agreement with the investors which includes procuring the opportunity to acquire brownfield land, adding value by managing the planning process and proposing a disposal plan for the consented site. This activity enables Inland Homes to earn substantial fees with a significantly reduced injection of equity and debt exposure. This part of the business will generate significant operating margins for the Group as a result of the minimal direct costs attributable to this activity. It also assists in the expansion of our partnership housing activity as the land can be sold to housing associations with a construction contract for Inland Homes. Management fees increased to £18.6m (year ended 30 June 2018: £2.4m) during the period.

The Group's gross margin improved to 22.0% (year ended 30 June 2018: 21.6%) and its operating margin increased substantially to 22.1% from 15.9%, predominantly due to the sale of our beneficial interest in Cheshunt Lakeside Developments Limited (CLDL) explained further below. Profit before tax was £25.0m (year ended 30 June 2018: £19.3m).

Administrative expenses have increased from £9.4m to £15.7m and this predominantly reflects investment made in our staff, with the average number of employees increasing from 93 to 138, and total employee numbers increasing from 105 as at 30 June 2018 to 161 on 30 September 2019. As stated above, the expansion in our overhead base has set us up to meet our strategic growth objectives.

The Group had a put and call option arrangement to purchase its 50% joint venture partner's share in CLDL, a company that owns the former Tesco's headquarters site in Cheshunt, Hertfordshire. Certain conditions were attached to the option which needed to be met in order for either side of the option to be exercised. Taking into account the Group's present ability to exercise the option, the Group considered that together the 50% direct holding and the put and call option gave the Group control over the company from 6 June 2019, and consequently consolidated 100% of CLDL from this date. On 22 September 2019, the Group exercised its option and the related liability of £13.7m is included within other creditors as at the period end date and was settled on 25 October 2019. On 30 September 2019 the Group also entered into a contract with a third party to transfer its 50% beneficial interest in the company. The gain recognised on disposal was £12.6m.

Finance costs

The Group's finance costs comprise mainly of interest on land and development finance, non-utilisation fees, interest rolled up on the Zero Dividend Preference shares (ZDPs) and amortisation of arrangement fees. Interest on development funding is capitalised where required by IAS 23.

Total finance costs increased from £6.2m to £10.7m; a reflection of increased borrowings to fund the rise in work in progress from £136.2m to £192.4m and financing CLDL to repay £15m of the loan of £16.8m from our former joint venture partner. Interest on bank and non-bank borrowings amounted to £7.5m (year ended 30 June 2018: £4.4m), amortised loan arrangement and other fees was £1.7m (year ended 30 June 2018: £0.7m) and the finance cost relating to the ZDPs was £1.5m (year ended 30 June 2018: £1.1m).

The funding costs capitalised into work in progress was £1.3m (year ended 30 June 2018: £1.1m).

Taxation

The Group is domiciled in the United Kingdom and does not make use of any tax structure that is not domiciled in the United Kingdom.

The total tax charge of £0.4m combines a current taxation charge of £1.1m and a deferred tax credit of £0.7m and represents an effective rate of 1.6% of the profit before tax. The current corporation tax rate is 19% and the principal difference arises due to the gain on disposal of our 50% beneficial interest in CLDL being exempt from corporation tax, an over provision in prior periods and a deferred tax credit arising due to capital losses brought forward.

Earnings per share and dividends

Basic earnings per share increased to 11.79p (year ended 30 June 2018: 7.64p) signifying the increase in operating profit during the period. The weighted average number of shares in issue during the period was 205.3m (year ended 30 June 2018: 201.6m).

Based on the strong results for the period ended 30 September 2019, the Board has declared a second interim dividend of 2.25p per ordinary share. Together with the first interim dividend of 0.85p paid on 3 July 2019, this makes a total dividend of 3.10p for the period (year ended 30 June 2018: 2.20p). A final dividend for the period ended 30 September 2019 will not be proposed. The second interim dividend is expected to be paid on 12 June 2020 to those shareholders on the register at the close of business on 21 February 2020. The ex-dividend date is 20 February 2020.

Total shareholder return

Inland Homes plc's share price has increased 31.1% over the past 27 months (from 60.25p per share at 30 June 2017 to 79.00p per share at 30 September 2019) and 17.0% over the 15 months to 30 September 2019 (from 67.50p per share at 30 June 2018 to 79.00p per share at 30 September 2019). Combined with dividends paid during the period of 2.4p per share, the share price movement has resulted in a total shareholder return of 20.6% for the 15-month period to 30 September 2019.

This compares to a 19.4% fall in the FTSE AIM All Share index.

Balance sheet

Net assets at 30 September 2019 were £162.2m (30 June 2018: £142.4m), an increase of 13.9%, mainly due to retained earnings. This equates to net assets per share of 78.84p (30 June 2018: 75.3p). The EPRA net asset value per share at 30 September 2019 was 113.69p (30 June 2018: 102.28p). The EPRA NAV per share increased during the period due to the profit after tax for the period end the planning consents received for the Group's two major projects at Wilton Park in Beaconsfield, Buckinghamshire and Cheshunt Lakeside in Cheshunt, Hertfordshire.

Net asset value and net asset value per share (unaudited)

The calculation of EPRA net asset value is set out below:

	Net asset value per share At 30 September 2019 '000	Net asset value per share At 30 June 2018 '000
Shares in issue	**207,366**	204,551
Less shares held in:		
– EBT	**(1,627)**	(1,627)
– Treasury	**–**	(825)
For use in basic measures	**205,739**	202,099
Dilutive effect of:		
– share options	**2,018**	1,837
– deferred bonus shares	**1,527**	1,823
– growth shares	**2,285**	5,100
For use in diluted measures	**211,569**	210,859

	£m	Undiluted p	Undiluted p
At 30 September 2019			
Net assets attributable to equity shareholders	**162.2**	**78.84**	**76.67**
Adjustment for:			
Revaluation of projects	**69.7**		
Deferred tax on investment property revaluation	**2.0**		
EPRA net asset value	**233.9**	**113.69**	**110.55**
Adjustment for:			
Deferred tax on investment property revaluation	**(2.0)**		
Deferred tax on project revaluation	**(11.8)**		
EPRA triple net asset value	**220.1**	**106.98**	**104.03**
At 30 June 2018			
Net assets attributable to equity shareholders	142.4	70.46	67.53
Adjustment for:			
Revaluation of projects	61.0		
Deferred tax on investment property revaluation	3.3		
EPRA net asset value	206.7	102.28	98.03
Adjustment for:			
Deferred tax on investment property revaluation	(3.3)		
Deferred tax on project revaluation	(11.6)		
EPRA triple net asset value	191.8	94.91	90.97

The Directors are required to make an assessment of the fair value of its trading properties when determining EPRA NAV. For undeveloped sites (both owned and options) a residual valuation is carried out to determine the anticipated value of the site with planning. This is then subject to a discount ranging between 0% and 80% to reflect the planning prognosis of the relevant site.

There is not a ready market for sites where construction has commenced. The Directors have therefore assumed that fair value equates to carrying value for such sites unless the site is forecast to make a margin in excess of 16% in which case a fair value adjustment is made to demonstrate the residual land value uplift.

As at 30 September 2019, the Group's investment properties comprised principally of existing residential properties at Wilton Park. The Board intends to sell some these properties in the open market. Hence, £4.7m has been transferred to Assets Held for Sale within current assets and land valued at £6.3m has been transferred to work in progress.

Investment in joint ventures has increased from £0.4m to £8.0m, primarily due to the net effect of the deemed exercise of our call option to acquire our former joint venture partner's share in CLDL and the transfer of our 50% beneficial interest in the company as explained above. Similarly, other receivables due after more than one year of £21.8m have increased from £11.0m, predominantly as a result of the transfer of our 50% beneficial interest in CLDL on deferred terms.

Inventories are the most significant part of the Group's net assets and increased from £136.2m to £192.4m. This has been driven by the growth in the land bank from 6,870 plots to 7,796 plots as well as an increase in work in progress on large-scale apartment developments under construction.

The Group is owed £32.8m from CLDL which represents the major part of amounts due from joint ventures. The site at Cheshunt Lakeside secured planning consent for 1,253 residential plots and 52,797sqft of commercial and educational space during the period and the joint venture has commenced pre-construction works in preparation of the development of the site.

Net debt and borrowings

The Group funds its activities through a combination of equity and debt. Due to the increase in our land bank, work in progress and financing CLDL to repay £15.0m of our former joint venture partner's loan, net debt has risen to £152.3m, (year ended 30 June 2018: £79.7m) representing net gearing of 93.9% (year ended 30 June 2018: 56.0%). Net gearing based on EPRA net assets of £233.9m (year ended 30 June 2018: £206.7m) equates to 65.1% (year ended 30 June 2018: 38.6%). Our cash balances at 30 September 2019 stood at £10.9m (year ended 30 June 2018: £40.4m).

In March 2019, we agreed a revolving credit facility of £65.0m (including an accordion of

£20.0m) for a term of four years, secured against some of our developments under construction. As at the end of the period, we had drawn down £30.2m of this facility leaving potential headroom of £34.8m. In August 2018, we extended the maturity date of £18.4m ZDP shares by five years to 10 April 2024 and during the period ended 30 September 2019 we issued a further 3,987,000 ZDP shares raising a gross sum of £6.2m. The Group also has a secured revolving credit facility of £17.2m from a Fund to finance sites with and without planning consent. This facility, which was fully drawn at 30 September 2019, expires in August 2020 and having had discussions with the Fund, it is the Board's intention to renew the facility.

A revolving facility of £11.5m from Homes England is funding our development of 457 homes and 64,000sqft of commercial space at Chapel Riverside in Southampton. Phases one and two of this development have been completed with construction on phase three well underway. As at 30 September 2019, we had drawn down £7.3m of this facility.

A £24.0m revolving cash flow facility was in place to fund the construction of 239 homes at Lily's Walk in High Wycombe. During the period ended 30 September 2019, we completed the sale of 18 homes with forward sales of £6.7m at the development. £23.6m of the facility had been drawn down at the period end.

Of the Group's total borrowing facilities of £183.8m, 26% expire within one year from the balance sheet date.

In December 2019, the Group renewed a land facility of £26.75m secured against its site at Wilton Park in Beaconsfield for a period of 12 months with stepped reductions to suit our plans.

On 30 January 2020, the Group arranged a new debt facility to be available from May 2020 with a term of 12 months from drawdown. This gives the Group increased flexibility if required and safeguards the Group against any delays in land sales.

The Group remains within the development and corporate covenants stated within its borrowing facilities and maintains excellent relationships with its lenders.

The sale of the large-scale apartment developments as well as engaging in new land opportunities with partners; securing discount to market value options on strategic sites and expanding the partnership housing activity will lead to a reduction in the Group's net borrowings over the next 12 months. This will enable Inland Homes to grow with a reduced level of risk and less of its own equity being utilised.

Nishith Malde

Group Finance Director

30 January 2020

Group incomestatement

for the 15-month period ended 30 September 2019

Continuing operations

	Note	Fifteen months to 30 September 2019 £m	Year ended 30 June 2018 £m
Revenue	6	**147.9**	147.4
Cost of sales	6	**(115.4)**	(115.6)
Gross profit		**32.5**	31.8
Administrative expenses	6	**(15.7)**	(9.4)
Gain on sale of subsidiary	20	**–**	0.1
Gain on sale of joint venture interest	20	**12.6**	–
Share of profit of joint ventures	20	**2.0**	1.0
Share of profit of associate	20	**0.2**	–
Revaluation of investment property	15	**1.1**	–
Operating profit		**32.7**	23.5
Finance cost – interest expense	10	**(9.4)**	(5.1)
Finance income – interest receivable and similar income	11	**1.7**	0.9
Profit before tax		**25.0**	19.3
Tax charge	12	**(0.4)**	(3.9)
Total profit for the period/ year		**24.6**	15.4
Other comprehensive income:			
Revaluation of quoted investments	17	**(0.4)**	–
Total profit and comprehensive income for the period/ year		**24.2**	15.4
Earnings per share for profit attributable to the equity holders of the Company during the period/year			
– basic	13	**11.79p**	7.64p
– diluted	13	**11.47p**	7.30p

The accompanying notes form part of this preliminary announcement.

Statements of financial position

	Note	Group		Company	
		30 September 2019 £m	30 June 2018 £m	**30 September 2019 £m**	30 June 2018 £m
ASSETS					
Non-current assets					
Investment properties	15	**49.3**	52.8	**–**	–
Property, plant and equipment	16	**6.3**	1.3	**–**	–
Intangible assets	19	**0.3**	–		
Investments in quoted companies	17	**1.1**	0.2	**–**	–
Investment in subsidiaries	20	**–**	–	**12.5**	12.5
Investment in joint ventures	20	**8.0**	0.4	**–**	–
Amounts due from joint ventures	20	**1.0**	1.0	**–**	–
Investment in associate	20	**1.3**	1.1	**–**	–
Amounts due from associate	20	**–**	3.0	**–**	–
Other receivables	23	**21.8**	11.0	**–**	–
Deferred tax	21	**–**	–	**0.8**	0.7
Total non-current assets		**89.1**	70.8	**13.3**	13.2
Current assets					
Inventories	22	**192.4**	136.2	**–**	–
Trade and other receivables	23	**45.4**	30.4	**40.2**	37.1

	Note				
Assets held for sale	18	**4.7**	–	**–**	–
Corporation tax		**–**	–	**–**	0.5
Amounts due from associate	20	**3.3**	2.8	**–**	–
Amounts due from joint ventures	20	**34.8**	19.0	**–**	–
Cash and cash equivalents	24	**10.9**	40.4	**7.1**	18.3
Total current assets		**291.5**	228.8	**47.3**	55.9
Total assets		**380.6**	299.6	**60.6**	69.1
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	25	**20.7**	20.5	**20.7**	20.5
Share premium account	26	**36.4**	34.8	**36.4**	34.8
Employee benefit trust	26	**(1.1)**	(1.1)	**(1.1)**	(1.1)
Treasury reserve	26	**–**	(0.5)	**–**	(0.5)
Special reserve	26	**1.1**	6.1	**1.1**	6.1
Retained earnings	26	**105.1**	82.6	**2.9**	8.2
Total equity attributable to shareholders of the Company		**162.2**	142.4	**60.0**	68.0
LIABILITIES					
Current liabilities					
Bank loans and overdrafts	28	**48.0**	26.0	**–**	–
Zero Dividend Preference shares		**–**	18.4	**–**	–
Trade and other payables	27	**47.7**	24.9	**0.6**	1.1
Corporation tax		**2.2**	6.6	**–**	–
Other financial liabilities	30	**4.1**	3.7	**–**	–
Total current liabilities		**102.0**	79.6	**0.6**	1.1
Non-current liabilities					
Bank loans	28	**82.1**	41.4	**–**	–
Other loans	28	**7.2**	34.3	**–**	–
Zero Dividend Preference shares	28	**25.9**	–	**–**	–
Deferred tax	21	**1.2**	1.9	**–**	–
Total non-current liabilities		**116.4**	77.6	**–**	–
Total equity and liabilities		**380.6**	299.6	**60.6**	69.1

Retained earnings for the Company includes a loss after tax for the period of £3.4m (year ended 30 June 2018: profit after tax of £7.5m).

The Company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not presented its own profit and loss account in this preliminary announcement.

Statements of changes in equity

for the 15-month period ended 30 September 2019

Group	Note	Share capital £m	Share premium £m	Employee Benefit Trust £m	Special reserve £m	Treasury reserve £m	Retained earnings £m	Total £m
At 30 June 2017		20.4	34.3	(1.1)	6.1	–	70.9	130.6
Total comprehensive income for the year		–	–	–	–	–	15.4	15.4
Transactions with owners:								
Share-based payments	9	–	–	–	–	–	0.6	0.6
Dividend payment	14	–	–	–	–	–	(3.7)	(3.7)
Issue of ordinary shares	25	0.1	0.5	–	–	–	(0.6)	–
Purchase of own shares	25	–	–	–	–	(0.6)	–	(0.6)
Exercise of share options	25	–	–	–	–	0.1	–	0.1
At 30 June 2018		20.5	34.8	(1.1)	6.1	(0.5)	82.6	142.4
Transitional IFRS 15 adjustment	5	–	–	–	–	–	0.2	0.2
At 30 June 2018 – restated		**20.5**	**34.8**	**(1.1)**	**6.1**	**(0.5)**	**82.8**	**142.6**
Total profit for the period		–	–	–	–	–	24.6	24.6
Other comprehensive income	17	–	–	–	–	–	(0.4)	(0.4)
Transactions with owners:								
Share-based payments	9	–	–	–	–	–	0.3	0.3
Dividend payment	14	–	–	–	(5.0)	–	–	(5.0)
Issue of ordinary shares	25	0.2	1.6	–	–	–	(1.8)	–
Purchase of own shares	25	–	–	–	–	(0.1)	–	(0.1)
Exercise of share options	25	–	–	–	–	0.6	(0.4)	0.2
At 30 September 2019		**20.7**	**36.4**	**(1.1)**	**1.1**	**–**	**105.1**	**162.2**
Company								
At 30 June 2017		20.4	34.3	(1.1)	6.1	–	4.4	64.1
Total comprehensive income for the year		–	–	–	–	–	7.5	7.5
Transactions with owners:								
Share-based payments	9	–	–	–	–	–	0.6	0.6
Dividend payment	14	–	–	–	–	–	(3.7)	(3.7)
Issue of ordinary shares	25	0.1	0.5	–	–	–	(0.6)	–
Purchase of own shares	25	–	–	–	–	(0.6)	–	(0.6)
Exercise of share options	25	–	–	–	–	0.1	–	0.1
At 30 June 2018		20.5	34.8	(1.1)	6.1	(0.5)	8.2	68.0
Total comprehensive loss for the period		–	–	–	–	–	(3.4)	(3.4)
Transactions with owners:								
Share-based payments	9	–	–	–	–	–	0.3	0.3
Dividend payment	14	–	–	–	(5.0)	–	–	(5.0)
Issue of ordinary shares	25	0.2	1.6	–	–	–	(1.8)	–
Purchase of own shares	25	–	–	–	–	(0.1)	–	(0.1)
Exercise of share options	25	–	–	–	–	0.6	(0.4)	0.2
At 30 September 2019		**20.7**	**36.4**	**(1.1)**	**1.1**	**–**	**2.9**	**60.0**

The accompanying notes form part of this preliminary announcement.

Group statement of cash flows

for the 15-month period ended 30 September 2019

	Note	Fifteen months to 30 September 2019	Year ended 30 June 2018
Cash flow from operating activities			
Profit for the period/ year before tax		**25.0**	19.3
Adjustments for:			
– depreciation	16	**0.7**	0.3
– share–based payments	8	**0.3**	0.8
– revaluation of investment property	15	**(1.1)**	–
– gain on disposal of subsidiary		**–**	(0.1)
– interest expense	10	**9.4**	5.1
– interest receivable and similar income	11	**(1.7)**	(0.9)
– gain on sale of joint venture interest	20	**(12.6)**	–
– IFRS 15 opening adjustment		**0.2**	–
– share of profit of joint ventures	20	**(2.0)**	(1.0)
– share of profits of associates	20	**(0.2)**	–
Corporation tax payments		**(5.6)**	(4.0)
Change in working capital:			
– increase in inventories		**(50.8)**	(3.2)
– increase in trade and other receivables		**(7.9)**	(17.8)
– increase/(decrease) in trade and other payables		**7.9**	(12.8)
– increase in other financial liabilities		**0.4**	–
– increase in trading balance due to joint ventures	20	**4.1**	–
Net cash outflow from operating activities		**(33.9)**	(14.3)
Cash flow from investing activities			
Interest received	11	**1.0**	0.8
Purchases of property, plant and equipment	16	**(5.4)**	(0.9)
Purchases of intangible assets	19	**(0.3)**	–
Purchases of investment property		**(1.5)**	(0.2)
Purchases of quoted investments	17	**–**	(0.2)
Proceeds from sale of subsidiary		**–**	13.4
Loans provided to joint ventures	20	**(19.9)**	(7.6)
Amounts repaid by joint ventures		**–**	5.9
Distribution of profits from joint venture	20	**1.0**	0.8
Amounts repaid by associate	20	**2.6**	–
Net cash (outflow)/inflow from investing activities		**(22.5)**	12.0
Cash flow from financing activities			
Interest paid		**(7.0)**	(3.8)
Repayment of borrowings		**(20.0)**	(6.3)
New loans		**52.6**	30.6
Issue of zero dividend preference shares		**6.2**	–
Equity dividends paid to ordinary shareholders	14	**(5.0)**	(3.7)
Exercise of share options		**0.1**	–
Purchase of own shares		**–**	(0.6)
Net cash inflow from financing activities		**26.9**	16.2
Net (decrease)/increase in cash and cash equivalents		**(29.5)**	13.9
Net cash and cash equivalents at beginning of period/year		**40.4**	26.5
Net cash and cash equivalents at end of period/year	24	**10.9**	40.4

Notes to the Group Preliminary Announcement for 15-month period ended 30 September 2019

1. Basis of preparation

The financial information contained in this announcement has been prepared on the basis of the accounting policies set out in the statutory accounts for the period ended 30 September 2019. Whilst the financial information included in this announcement has been computed in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRS. The financial information does not constitute the Company's statutory accounts for the period ended 30 September 2019 or year ended 30 June 2018, but is derived from those accounts. Those accounts give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole. Statutory accounts for the year ended 30 June 2018 have been delivered to the Registrar of Companies and those for the period ending 30 September 2019 will be delivered following the Company's Annual General Meeting. The auditor's reports on both the 2019 and 2018 accounts were unqualified; did not draw attention to any matters by way of emphasis; and did not contain statements under s498(2) or (3) of the Companies Act 2006.

Disclosure exemptions adopted

In preparing the financial statements of the Parent Company, advantage has been taken of all disclosure exemptions conferred by FRS 101. The Parent Company financial statements do not include:

• certain comparative information as otherwise required by EU endorsed IFRS;

• a statement of cash flows;

• the effect of future accounting standards not yet adopted; and

• disclosure of related party transactions with other wholly owned members of the Group headed by Inland Homes plc.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Inland Homes Plc. The Parent Company Financial Statements do not include certain disclosures in respect of:

• Financial Instruments (other than certain disclosures required as a result of recording financial instruments at fair value); and

• Fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and does not present its own profit and loss account in these financial statements.

Going concern

The Group's business activities, together with factors likely to affect its future development and performance, are set out in the Strategic Report. In particular, the management of the risks and uncertainties affecting the Group are set out. The financial position of the Group, its borrowing facilities and headroom at 30 September 2019 are described in the Group Finance Director's review. Further disclosures regarding the Group's financial instruments and exposure to credit and liquidity risk are set out in this preliminary announcement.

The Board has reviewed the Group's projected business activities, corresponding cash flow forecasts to 30 September 2021, available borrowing facilities and related covenant compliance. The Group currently has facilities totalling £48.0m that fall due for repayment in the 12 months from the date of signing these financial statements. It has also assessed sensitivity analysis based on the following downside scenarios:

- possible delay in significant land disposal by two or three months; and
- and a fall in house prices by 10% from the Group's budget prices.

As part of the Group's normal operations, it has secured a loan facility which could be drawn down in May 2020, should management conclude this is in the best interests of the business. This facility mitigates all downside scenarios referred to above.

The forecasts assume significant management fees receivable which are dependent on the sales of certain parcels of land. These receipts will be used to repay a revolving credit facility which expires in August 2020. The lender has confirmed that they expect this facility to be renewed upon expiry in any event.

Where the Group proposes to provide deferred consideration terms to potential purchasers of land, it would consider the credit worthiness of the counter-party and where ever possible procure security or a promissory note which could be discounted with a lender.

The Directors have considered the present economic climate, the current demand for land with planning consent and the state of the housing market in the geographic areas where the Group operates. The Group has significant forward sales of its residential homes under construction as well as a substantial order book for its partnership housing activity. It is also in negotiation for the sale of certain land assets within its land bank and expects to make sufficient disposals in the foreseeable future to ensure it has sufficient working capital for its requirements.

After making appropriate enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The Directors therefore consider it appropriate to prepare the Financial Statements on the Going Concern basis.

2. Changes in accounting policies

The principal accounting policies are described in note 4 and are consistent with those applied in the Group's financial statements for the 15 month period to 30 September 2019 and year ended 30 June 2018, as amended to reflect the adoption of new standards, amendments and interpretations which became effective in the year as shown below.

New standards adopted during the year

The following standards, amendments and interpretations endorsed by the EU were effective for the first time for the Group's 30 September 2019 period end and had no material impact on the financial statements.

- IAS 40 (amended) – Transfers of Investment Property;
- IFRS 2 (amended) – Share Based Payments; and
- Annual Improvements to IFRSs (2014- 2016 Cycle).

IFRS 9 – Financial Instruments

IFRS 9, 'Financial instruments' ('IFRS 9'), replaces the provisions of IAS 39, 'Financial Instruments' that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7, 'Financial Instruments: Disclosures'.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15, 'Revenue from contracts with customers' ('IFRS 15'), establishes a principles based approach for revenue recognition and is based on the concept of recognising revenue for obligations only when they are satisfied and the control of goods or services is transferred. It applies to all contracts with customers, except those in the scope of other standards.

Information on the initial application of IFRS 9 and IFRS 15, including the impact on the financial position and performance of the Group, can be found in note 5.

Standards in issue but not yet effective

The following new standards, amendments and interpretations to existing standards were in issue at the date of approval of these financial statements but are not yet effective for the current accounting year and have not been adopted early. Based on the Group's current circumstances the Directors do not anticipate that their adoption in future periods will have a material impact on the financial statements of the Group, with the exception of IFRS 16 where the expected impact is outlined below.

- Amendments to IFRS 9: Financial Instruments;
- Amendments to IAS 28: Long-term interests in Associates and Joint Ventures;
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement;
- Annual Improvements to IFRSs (2015- 2017 Cycle);
- Amendments to IFRS 3 Business Combinations*;
- Amendments to IFRS 17: Insurance Contracts*;
- Amendments to References to the Conceptual Framework in IFRS Standards*; and
- IFRIC 23 Uncertainty over Income Tax Treatments.

* Standards and amendments not yet endorsed by the EU.

IFRS 16 Leases has also been endorsed and will be effective for the Group for the year ending on 30 September 2020.

IFRS 16 – Leases

IFRS 16 'Leases' was issued in January 2016 to replace IAS 17 'Leases' and is effective for accounting periods beginning on or after 1 January 2019.

IFRS 16 eliminates the classification of leases for lessees as either operating leases or finance leases as per IAS 17, and introduces a single lessee accounting model. For lessees, lease agreements will give rise to the recognition of an asset representing the right to use the leased item and a corresponding loan obligation for future lease payables. Lease costs will be recognised in the form of depreciation of the right to use asset and interest on the lease liability. Consequently, there will be a reduction in operating expenses and an increase in finance costs. The accounting for leases that are currently designated as finance leases will be largely unchanged under IFRS 16. The accounting for leases that are currently designated as operating leases will be fundamentally different to the current treatment of expensing the rental charges on a straight line basis.

For lessors, IFRS 16 does not contain substantial changes compared to IAS 17, a lessor still has to classify leases as either finance or operating, depending on whether substantially all of the risk and rewards incidental to ownership of the underlying asset have been transferred. For a finance lease, the lessor recognises a receivable at an amount equal to the net investment in the lease which is the present value of the aggregate of lease payments receivable by the lessor and any unguaranteed residual value. If the contract is classified as an operating lease, the lessor continues to present the underlying assets.

The Group will apply the standard from its mandatory adoption date of accounting periods commencing on or after 1 January 2019 and intends to apply the modified retrospective approach.

As at the reporting date, the Group has non- cancellable operating lease commitments of £1.7m, see note 32. Of these commitments, approximately £0.1m relates to short-term leases which will both be recognised on a straight-line basis as expense in the income statement. For the remaining lease commitments, the Group expects to recognise lease liabilities of approximately £1.6m, and an increase to property, plant and equipment of approximately £1.6m, both of which will be discounted at the Group's incremental borrowing rate, which is currently being determined by the Directors, for the purposes of the adoption of the accounting standard.

3. Significant judgements, key assumptions and estimates

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The Group's significant accounting policies are stated in note 4. Not all of these accounting policies require management to make difficult, subjective or complex judgements or estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. The following is intended to provide an understanding of the policies that management consider critical because of the level of complexity, judgement or estimation involved in their application and their impact on the financial statements.

Key sources of estimation uncertainty

Cost of and net realisable value of inventories (note 22)

In applying the Group's accounting policy for the valuation of inventories the Directors are required to assess the expected selling price and costs to sell each of the plots or units that constitute the Group's land bank and work in progress. The uncertainty relates to both land and work in progress. Cost which requires estimation includes the cost of acquisition of sites, the cost of infrastructure and construction works, allocation of site wide costs and legal and professional fees incurred during development prior to sale. Estimation of the selling price is subject to significant inherent uncertainties, in particular the prediction of future trends in the market value of land. The critical judgement in respect of receipt of planning consent (see below) further increases the level of estimation uncertainty in this area.

Fair value of investment properties (note 15)
The fair value of materially completed investment property is determined by independent valuation experts using the open market value of existing use method, subject to current leases and restrictions, as this has been assessed currently as the best use of these assets. Investment properties awaiting construction are valued by the Directors using an appraisal system; critical accounting estimates relate to the forecasts prepared in order to assess the carrying value. See note 15 for information about valuation methodology and assumptions made.

Deferred consideration on transfer of beneficial interest in Cheshunt Lakeside Developments Limited (notes 20 and 23)
The Group discounts deferred consideration payable or receivable using the discounted cash flow method; the Group considers the expected timing of payments and receipts and uses the third party cost of debt capital as the most appropriate discount rate and these are considered to be significant estimates.
The Group sold its beneficial interest of 50% of Cheshunt Lakeside Developments Limited on deferred terms and estimate a discount to present value calculated from disposal. At the period end this resulted in another receivable of £19.9m disclosed in note 23. Further details of Cheshunt Lakeside Developments Limited are provided in note 20.

The impact of a change in the discount rates by one percent up on the receipt would be a reduction in the receivable of £0.8m and the impact of a change in the discount rates by one percent down on the receipt would be an increase in the receivable of £1.6m.

Management do not envisage a timing opportunity where the receipt of the receivable could be brought forward. The impact of a delay in receipt of twelve months, at the current discount rate, would be a reduction in the receivable of £0.7m.

Significant judgements

Timing and recoverability of repayment – amounts due from joint ventures and associate (note 20)
Certain amounts due from the joint ventures are contractually repayable on demand and the amounts due from the associate are repayable over the term of the underlying development. At each balance sheet date the Directors review the forecasts of the underlying developments and make a judgement as to the likely timing of the recoverability of each loan and whether they will be recovered within the normal operating cycle of the business. Amounts are then disclosed as either due in less than one year or greater than one year accordingly. The recoverability of receivables is dependent on the future profitability of land and development sales. The judgements involved are the same as outlined above for inventories.

Likelihood of achieving planning – inventories (note 22)
The Group values inventories at the lower of cost and net realisable value. The net realisable value is based on the judgement of the probability that planning consent will be granted for each site. The Directors believe that, based on the Group's experience, planning consent will be given.

If planning consent was not achieved then a provision may be required against inventories. The cost value is based on actual costs incurred at the date of signing the financial statements taking account of an estimation of costs to complete. The judgement of costs to complete is based on the Directors' experience and if actual plus projected costs are higher than net realisable value then a provision would be required against inventories £0.4m (year ended 30 June 2018: £1.4m) of inventories is held at net realisable value. A provision of £0.2m (year ended 30 June 2018: £0.7m) was recognised during the period.

Capitalisation of borrowing costs (note 22)
The Group capitalises borrowing costs where there is a qualifying asset. The Directors must assess each site held within inventories each year in order to judge whether or not the site is a qualifying asset in line with the requirements of IAS 23 Borrowing Costs. In the opinion of the Directors, sites are judged to be qualifying assets if due to the long term, complex nature of these developments which will take several years before parts of it are sold or developed. This has resulted in

borrowing costs related to such sites to be capitalised in the current and prior periods. During the period, the Group capitalised £1.3m (year ended 30 June 2018: £1.1m) of borrowing costs. For non-qualifying sites the Group expenses borrowing costs due to the quantity and repetitive nature of the process adopted. In many cases, such developments may take longer than 12 months. The Directors are therefore required to exercise judgement as to whether or not a site represents a qualifying asset.

Management fee income (note 6)
The Group recognises revenue in respect of management services equal to the amounts entitled, invoiced or accrued. Each management fee formula in the contract reflects progress at any given time to the satisfaction of the contracts performance obligations which involves judgement.

There were a number of material management fee contracts that were either ongoing or commenced in the period. For each management contract there are a number of milestones and obligations.

The Directors had to make significant judgements for each contract based on:

- whether each milestone constituted a distinct performance obligation;
- whether the obligations have been satisfied; and
- whether the revenue is recognised at a point in time or over time.

The significant judgements made were in relation to the following contracts:

Bucknalls
For the contract at Farrier's Wood, the Directors concluded the milestones in the scheme were not distinct from one another in the context of the contract. It was therefore concluded that there was a

single performance obligation, to manage the scheme on behalf of their joint venture. Management considered that there was a significant level of integration between the various stages and the overall objective of the contract was to sell the development for maximum value. They further concluded that the income in relation to this contract should be recognised over time, given that the management of the project is over an agreed period, and the customer is receiving and consuming the benefits to their asset over the length of the contract.

Hillingdon Gardens
For the contract at Hillingdon Gardens, it was determined that there were a number of distinct performance obligations of which five were satisfied in the period to 30 September 2019. It was concluded that these were distinct on the basis the customer benefitted from each of the milestones and that these milestones were considered separable in the context of the contract. The performance obligations recognised were considered satisfied in the period as control of the relating service was transferred to customer before the period end. For the remaining performance obligations still to be satisfied, it was determined by the Directors that they will be recognised in future periods at a point in time, given that they fail to meet the criteria to be recognised over time.

Accounting for the investment in Cheshunt Lakeside Developments Limited and the associated put and call option arrangement (note 20)
In addition to a direct holding in Cheshunt Lakeside Developments Limited (CLDL) (see note 20), the Group held a put and call option over the other joint venture partner's 50% share. Certain conditions were attached to the options which needed to be met in order for either side of the option to be exercised. The Directors determined that the acquisition date of CLDL was 6 June 2019 given that this was considered to be the date where there were no conditions outside of Inland's control and therefore Inland had full control to exercise their option. It was therefore considered that from this date the Group had the ability to control CLDL and it should be consolidated as a subsidiary from this date.
Further judgement was exercised by the Directors as to whether CLDL constituted a business in determining the correct treatment for the acquisition. The Directors considered whether CLDL meets the definition of a business and therefore whether it should be accounted for as a business combination. It was determined that CLDL did not meet the definition of a business as the entity did not include significant inputs, outputs and processes that were capable of being managed together for providing a return to investors. The transaction was therefore treated as an asset acquisition.

Asset held for sale (note 18)
At 30 September 2019, the Directors' intention was to sell some investment properties over 12 months to 30 September 2020. These assets have been reclassified to assets held for sale at the expected disposal value after allowing for costs of disposal.

The Directors have made a judgement that the properties will sell within 12 months.

Overages
Estimates are involved when determining how much revenue to recognise in relation to variable consideration where Inland Homes is entitled to an overage in relation to future sales at a site sold by Inland Homes to a customer. When determining how much of the variable revenue to recognise at the point of sale, the Directors estimate the amount that they would expect to receive based on market evidence for current house prices. They then consider the risk of a significant reversal of this revenue in future periods and constrain it accordingly.

Land and house building sales margins
There are significant estimates involved in determining the appropriate profit margin to recognise on land and residential sales. Assumptions are required to be made as to future costs to complete and future sales prices to be achieved on the remaining units. The Directors use detailed project appraisals for each development to determine the appropriate profit margin to recognise which forecasts the costs to complete on such developments and the anticipated sales prices, which has been determined based on the type, specification and location of the property. The financial outturn in both the current period and prior year relating to land and house building sales margins is disclosed in note 6.

Contract income revenue and profit recognition
The revenue and profit recognition on contract income involve significant judgement and estimates with regards to assessing the stage of completion of the development and the anticipated margin. Assumptions are required to be made as to the future costs to complete to determine the appropriate margin and this is determined through detailed project appraisals. The stage of the development is determined through monthly valuation surveys conducted by Inland Homes and the customer who then agree the value of the work completed. The financial outturn in both the current period and prior year relating to contract income and revenue and profit recognition is disclosed in note 6.

4. Significant accounting policies

Basis of consolidation

The Group's financial statements consolidate the financial statements of the Company and all of its subsidiary undertakings drawn up to 30 September 2019. 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 and development agreements. Further information can be found in note 20.

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

Acquisitions of subsidiaries are dealt with by the 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 statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the Group Statement of Financial Position at their fair values, which are also used as the basis for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of 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 and associate

Joint ventures are entities in which the Group has shared control with another entity, established by contractual agreement. 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. Joint ventures and associates are initially recorded in the Group Statement of Financial Position at cost and are accounted for using the equity method. All subsequent changes to the share of interest in the equity of joint ventures and associates are recognised in the Group's carrying amount of the investment. Changes resulting from the profit or loss generated are recognised in the Group's carrying amount of the investment and in 'share of profit of joint ventures' for joint ventures and 'share of profit of associate' for 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. Both realised and unrealised gains on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's investment in joint ventures and associates.

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 and associates are consistent with those of the Group.

The Company investments in joint ventures are held at cost.

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

In the current year, the Group adopted IFRS 15 'Revenue from Contracts with Customers'. This establishes a principles based approach for revenue recognition and is based on the concept of recognising revenue for obligations only when they are satisfied and the control of goods or services is transferred.

The standard is applicable to sales of land and sales of reversionary freehold, sales of residential units, property construction services and management fees from management of sites owned by third parties but excludes rental income which is accounted for within the scope of IAS 17 'Leases'. The adoption of IFRS 15 has not had a significant impact on the revenue recognition policies of the Group or treatment of revenue undertaken in the prior year period to 30 June 2018.

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.

Overages

Any variable consideration on overages is estimated at the point of sale taking into consideration the time to recover overage amounts as well as other factors which may give rise to variability. It is only recognised to the extent that it is highly probable that there will not be a significant reversal in the future and is reassessed throughout the duration of the sales contracts.

Sale of land and sales of freehold

Revenue from the sale of land and reversionary freeholds are recognised at a point in time on legal completion when all the following conditions have been satisfied:

- the Group has transferred to the buyer the control 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.

In respect of land sales, a contract is established through a formal purchase process that involves the formal exchange of contracts facilitated by legal advisors.

By nature of property transactions, all offers to purchase are subject to the customer successfully securing the required funds.

At the point when contracts are exchanged payment terms are agreed and funding to pay the purchase consideration must be secured and verified. This ensures that collectability is probable i.e. more likely than not, prior to commencement of the contract.

Sale of residential units

In respect of sales of residential units, a contract is established through a formal purchase process that involves the formal exchange of contracts facilitated by legal advisors. Revenue from the sale of residential units is recognised at a point in time on legal completion at the point where the Group has transferred to the buyer the control of the units.

By nature of property transactions, all offers to purchase are subject to the customer successfully securing the required funds.

At the point when contracts are exchanged payment terms are agreed and funding to pay the purchase consideration must be secured and verified. This ensures that collectability is probable i.e. more likely than not, prior to commencement of the contract.

Contract income

The Group acts as a main contractor on certain building projects, primarily on behalf of the housing associations where the Group must provide social housing units as part of its S106 obligations under the planning consent or has sold the land to the housing association and entered into a construction contract to provide the completed units.

Revenue on construction contracts is recognised over time as the performance obligations are satisfied. The output method is used to measure the progress of Inland's performance over the duration of the contract. This is done monthly through valuation surveys conducted by Inland and by the customer respectively who then agree the value of work completed. The agreed valuation is used to determine the revenue to be recognised for the period.

Where the outcome of a contract on which revenue is recognised over time cannot be estimated reliably, revenue is recognised to the extent of contract costs incurred.

Management fee income

For each management contract there are a number of milestones, which varies contract to contract, but in all cases includes a planning and a disposal obligation. The Directors must exercise judgement over whether each milestone constitutes a distinct performance obligation. In doing do they consider whether each milestone has a single commercial objective, whether any of the milestones are interdependent on any other milestone, and whether the service

or goods being provided represents a single performance obligation. In determining the number of performance obligations, the Directors also consider the level of integration between the milestones.

Once the number of performance obligations has been determined, the Directors will exercise further judgement to allocate the consideration to each obligation, which is based on the stand- alone selling price of each performance obligation. Once the Group considers that the outcome of the contract can be reliably estimated then revenue and profit is recognised based on the proportion of the contract that is completed. There is also judgement in considering whether the obligations have been satisfied, and whether the revenue is recognised at a point in time or over time. This is assessed on a performance obligation by performance obligation basis. In general, the Directors have assessed that any construction or management of construction obligations are satisfied over time, given that Inland Homes' work enhances

an asset controlled by the customer. The planning and disposal obligations have been assessed to be recognised at a point in time. Refer to note 6.

Golden brick income

Sales of land where title transfers prior to construction beginning (or at 'golden brick') are considered to be a distinct performance obligation.

Revenue from land sales is recognised at a point in time, being the completion of contracts usually achieved at 'golden brick'. The separate construction element of the contract is recognised over time in accordance with the Group's policy above for construction contracts.

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%
- Modular housing – Over useful economic life estimated at 40 years
- 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 investment property under construction 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. Investment properties are valued by the Directors based on up to date market information.

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.

Intangible assets

Intangible assets, comprising costs incurred in the development phase of new business models and associated set-up costs, are stated at cost less provisions for both amortisation and impairments.

Development phase costs relate to new business models either separately acquired or acquired as part of a business combination are amortised over their estimated useful lives, generally not exceeding 20 years, using the straight-line basis, from the time they are available for use. The estimated useful lives for determining the amortisation charge considers the expected business model life. Asset lives are reviewed, and where appropriate adjusted, annually.

Research costs are recognised in the Income Statement as incurred.

The rates generally applicable are:

- Enterprise Resource Planning system- 10%
- Development costs - 25%
- Website costs - 25%
- Other computer software - 25%

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 of completion and estimated costs to sell.

Assets held for sale

Non-current assets are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs of disposal.

Following their classification as held for sale, non-current assets are not depreciated.

The results of operations disposed during the year are included in the consolidated statement of comprehensive income up to the date of disposal.

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.

Employee benefits

Defined contribution retirement benefit scheme
The Group operates a defined contribution retirement benefit scheme pension and 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 and Company 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.

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 or LTIPs expected to vest.

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

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

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
The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

Fair value through profit or loss
This category comprises amounts due from joint ventures (refer to note 20) where the terms of the loan are inconsistent with a basic lending agreement and are therefore not solely payments of principal and interest. This balance is carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income in the finance income or expense line. Other than amounts due from joint ventures, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Amortised cost
These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non- current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for all other receivables are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses. For those for which credit risk has increased significantly, lifetime expected credit losses are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's financial assets measured at amortised cost comprise trade and other receivables, cash and cash equivalents and amounts due from joint ventures (other than those held at fair value through profit and loss) and associates in the consolidated statement of financial position.

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.

Fair value through other comprehensive income
The Group has investments which are not accounted for as subsidiaries, associates or joint ventures. For those investments, the Group has made an irrevocable election to classify the investments at fair value through other comprehensive income rather than through profit or loss as the Group considers this measurement to be the most representative of the business model for these assets. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve.

Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments carrying amount.

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, which Inland interpret to be over 12 months, and are complex in their nature. The majority of the Group's sites involve the development of large volumes of properties in a repetitive manner. The Group therefore expenses borrowing costs relating to such developments 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. Currently, the Group capitalises borrowing costs only in relation to the site at Wilton Park and its joint venture site at Cheshunt as these are the only sites that are considered sufficiently complex in nature and will take over 12 months to develop.

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 initially recognised at fair value net of any transaction costs.

Subsequently they 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, cancelled or expires.

Share capital and other equity reserves

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share premium represents amounts subscribed for share capital in excess of nominal value less directly attributable issue costs.

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 capitalisation of the Parent Company's reserves to allow for the possibility of distributions in the future.

A copy of this resolution is available from Companies House.

Treasury Reserve represents the purchase of the Company's own shares and are deducted from total equity until they are issued to employees under the share option plan.

Retained earnings represents cumulative net gains and losses recognised in the Group income statement together with other items such as dividends and share- based payments.

Guarantees

All guarantees are deemed to be insurance contracts. A financial guarantee is recognised where a contract requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

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.

5. Adoption of new accounting standards

In the current period, the Group has adopted

the following accounting standards:

- IFRS 9 'Financial Instruments', and
- IFRS 15 'Revenue from Contracts with Customers'.

IFRS 9

IFRS 9, 'Financial instruments' replaces the provisions of IAS 39 which relates to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards such as IFRS 7, 'Financial Instruments: Disclosures'.

Management have applied the fully retrospective application of IFRS 9 and have therefore carried out an assessment of the implication on the Group's financial position for the comparatives at 30 June 2017 and 30 June 2018. In accordance with the Management's assessment below, comparative figures have not been restated. The transition to IFRS 9 did not have an impact on the Group's opening retained earnings, as a result a reconciliation of retained earnings is not required.

Financial assets

All financial assets within the scope of IFRS 9 are divided into the following categories: Amortised Cost and Financial Assets at Fair Value Through Profit and Loss (FVPL). Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired.

The Directors have reviewed and assessed the Group's financial assets and concluded that the application of IFRS 9 has had no impact on the measurement of the Group's financial assets. Financial assets have been reclassified from Loans and Receivables to Amortised Cost upon adoption of IFRS 9. Equity investments that were previously classified as Available for Sale have been reclassified to Fair Value through other comprehensive income and amounts due from joint ventures that were measured at fair value through profit or loss continue to be measured as such.

Financial liabilities

All the Group's financial liabilities are held at amortised cost. The IFRS 9 requirements regarding the classification and measurement of financial liabilities are broadly consistent with the previous standard, IAS 39. Accordingly, the adoption of IFRS 9 has had no impact on the classification and measurement of the Group's financial liabilities.

Impairment of financial assets

IFRS 9 requires an expected credit loss approach to impairment rather than the incurred credit loss model under IAS 39. This requires the assessment of the expected credit loss on each class of financial asset at the reporting date. This assessment should take into consideration any changes in credit risk since the initial recognition of the financial asset.

Management's assessment of IFRS 9 determined that the main area of potential impact was impairment provisioning on trade receivables, and balances due from joint ventures and associates for the Group and balances due from subsidiaries for the Company. In both cases, this was due to the requirement to use a forward-looking expected credit loss model. No adjustments were considered necessary in respect of trade receivables, balances due from joint ventures and associates for the Group and balances due from subsidiaries for the Company. See note 31 for further analysis of conclusions reached.

Impairment provisions for current and non- current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision. No adjustments were considered necessary for trade receivables following the assessment using the simplified approach which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment provisions for other receivables are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised. No adjustments were considered necessary for other receivables.

IFRS 15

IFRS 15, 'Revenue from contracts with customers' ('IFRS 15'), establishes a principles based approach for revenue recognition and is based on the concept of recognising revenue for obligations only when they are satisfied and the

control of goods or services is transferred. The standard is applicable to land sales, house sales, contract income, management fees and hotel income but excludes rental income which is within the scope of IAS 17 at the reporting date.

Management have applied the modified retrospective application of IFRS 15 and have therefore carried out an assessment of the implication on the Group's financial position for the comparatives at 30 June 2017 and 30 June 2018.

The implementation of IFRS 15 resulted in some refinement in the timing of recognition of commissions paid on contract costs that exceeded 12 months for the year ended 30 June 2018. Management's review of contracts and commissions paid thereon revealed one contract that exceeded 12 months where commission was paid. The amount of £0.3m was paid during the fifteen -month period ended 30 September 2019 and the majority component of the revenue was already recognised, which would result in recognition during 2018. A prior year adjustment has not been recognised on the grounds of immateriality.

The transition to IFRS 15 did not have a material impact on the Group's opening retained earnings. Contract income has been recognised on the output method with adjustment required to the opening reserves of £0.2m in respect of one contract.

The Group implements contracts in place for its commercial activities and in each case there is a link between the timing of the satisfaction of a performance obligation or performance obligations. As part of a property and real estate activity, there is usually a small delay between exchange of contracts and completion of contracts and then subsequent completion of performance obligations. The timing between those points depends on the commercial terms in each case but is usually immediate on the completion of the performance obligation mainly less than one year from completion of the performance obligation. Where the payment occurs more than one year after the completion of the performance obligation the contract asset is disclosed separately and discounted appropriately.

In determining the judgements, and changes in the judgements, made in applying IFRS 15 that have significantly affected the determination of the amount and timing of revenue from contracts with customers the Group considers the judgements, and changes in the judgements, used in determining the following:

- The timing of satisfaction of performance obligations;
- The transaction price and the amounts allocated to performance obligations (including any adjustments to the consideration and whether any of that consideration is or could become constrained);
- Allocating the transaction price, including estimating stand-alone selling prices of promised goods or services and allocating discounts and variable consideration to a specific part of the contract; and
- Measuring obligations for returns, refunds and other similar obligations.

There have been additional balance sheet reclassifications upon transition to IFRS 15 £16.1m previously disclosed as trade receivables is now classified as trade receivables from contract revenue with customers, as outlined in note 23.

When performance obligations are satisfied over time, the Group uses the output method since measurement of works on an application and certification basis with the respective customer depiction of the transfer of goods and services under such contracts. Contract income and certain performance obligations of management fee contracts are the Group's income stream recognised over time. The remaining revenue streams are recognised at a point in time. A customer gains control of goods and services at such time their contractual liability to the Group has been extinguished.

Specific disclosure of contracts and their associated performance obligations and payment terms is not made as it is commercially sensitive.

The Group has applied a practical expedient whereby the Group does not need to disclose performance obligations not yet satisfied where either the performance obligation is part of a contract that originally was expected to have a duration of one year or less or the entity has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date.

6. Segmental 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. This is also deemed to be the appropriate analysis of the disaggregation of revenues required by IFRS 15.

In identifying its operating segments, management differentiates between land sales, housebuilding, contract income, rental income, hotel income, investments, investment properties, management fees and other income. These segments are based on the information reported to the chief operating decision maker (which in the Group's case is the Operating Board comprising the three Executive Directors and four senior managers) and represent the activities which generate significant revenues, profits and use of resources within the Group. These operating segments are monitored and strategic decisions are made on the basis of segment operating results.

Segmental analysis by activity

Fifteen-month period to 30 September 2019	**Land sales** £m	**Management fees** £m	**Contract income** £m	**House building** £m	**Rental income** £m	**Investment properties** £m	**Other** £m	**Total** £m
Revenue from contracts with customers	**29.2**	**18.6**	**62.6**	**34.5**	–	–	–	**144.9**
Other Revenue	–	–	–	–	**1.5**	**1.5**	–	**3.0**
Cost of sales	**(24.3)**	**(2.5)**	**(57.1)**	**(30.6)**	**(0.9)**	–	–	**(115.4)**
Gross profit	**4.9**	**16.1**	**5.5**	**3.9**	**0.6**	**1.5**	–	**32.5**
Administrative expenses	–	–	–	–	–	–	**(15.7)**	**(15.7)**
Gain on sale of joint venture interest	–	–	–	**12.6**	–	–	–	**12.6**
Share of profit of joint ventures	–	–	–	**2.0**	–	–	–	**2.0**
Share of profit of associate	–	–	–	**0.2**	–	–	–	**0.2**
Revaluation of investment property	–	–	–	–	–	**1.1**	–	**1.1**
Operating profit/(loss)	**4.9**	**16.1**	**5.5**	**18.7**	**0.6**	**2.6**	**(15.7)**	**32.7**
Net finance cost	**(1.5)**	**0.7**	–	**(4.8)**	–	**(1.8)**	**(0.3)**	**(7.7)**
Profit/(loss) before tax	**3.4**	**16.8**	**5.5**	**13.9**	**0.6**	**0.8**	**(16.0)**	**25.0**
Tax charge	**(0.1)**	**(0.3)**	**(0.1)**	**(0.2)**	–	–	**0.3**	**(0.4)**
Total profit/(loss) for the period	**3.3**	**16.5**	**5.4**	**13.7**	**0.6**	**0.8**	**(15.7)**	**24.6**
Other comprehensive income	–	–	–	–	–	–	**(0.4)**	**(0.4)**
Total profit and comprehensive income/(loss) for the period	**3.3**	**16.5**	**5.4**	**13.7**	**0.6**	**0.8**	**(16.1)**	**24.2**

Year ended 30 June 2018	Land sales £m	Management fees £m	Contract income £m	House building £m	Rental income £m	Investment properties £m	Other £m	Total £m
Revenue from contracts with customers	59.3	2.4	12.0	70.2	–	1.3	–	145.2
Other Revenue	–	–	–	–	0.7	–	1.5	2.2
Cost of sales	(41.0)	–	(10.2)	(62.5)	(0.1)	(0.3)	(1.5)	(115.6)
Gross profit	18.3	2.4	1.8	7.7	0.6	1.0	–	31.8
Administrative expenses	–	–	–	–	–	–	(9.4)	(9.4)
Gain on sale of subsidiary	–	–	–	–	–	0.1	–	0.1
Share of profit of joint ventures	–	–	–	0.8	0.2	–	–	1.0
Operating profit/(loss)	18.3	2.4	1.8	8.5	0.8	1.1	(9.4)	23.5
Net finance cost	(1.6)	–	–	(0.9)	–	(1.2)	(0.5)	(4.2)
Profit/(loss) before tax	16.7	2.4	1.8	7.6	0.8	(0.1)	(9.9)	19.3
Tax charge	(3.1)	(0.2)	(0.1)	(0.5)	–	(0.1)	0.1	(3.9)
Total profit/(loss) for the year	13.6	2.2	1.7	7.1	0.8	(0.2)	(9.8)	15.4

Included with the ‘Land sales’ segment are land sales to housing associations which include construction works to ‘Golden Brick’. The construction works to completion are included in the ‘Contract income’ segment.

Included with the ‘Housebuilding’ segment are the sales of reversionary freehold reversions and customers’ 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.

During the period, no sales transaction (year ended 30 June 2018: one land sale) with a customer accounted for more than 10% of revenue.

Disaggregation of revenue

The Group has disaggregated revenue into point in time and over time in the following table which is intended to:

- depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic date; and
- enable users to understand the relationship with revenue segment information provided in note 6.

Rental income and investment properties income is not disclosed in the table below as these revenue sources do not fall under the IFRS 15 accounting standard.

Fifteen-month period to 30 September 2019	**Land sales £m**	**Management fees £m**	**Contract income £m**	**House building £m**	**Total £m**
Point in time	**29.2**	**16.7**	**–**	**34.5**	**80.4**
Over time	**–**	**1.9**	**62.6**	**–**	**64.5**
Total Revenue	**29.2**	**18.6**	**62.6**	**34.5**	**144.9**

	Land	House building	Contract income	Rental income	Investment properties	Management Fees	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£m
30 September 2019								
ASSETS								
Non-current assets								
Investment properties	–	–	–	–	49.3	–	–	49.3
Property, plant and equipment	–	–	–	5.2	–	–	1.1	6.3
Intangible assets	–		–	0.3	–	–	–	0.3
Investments	–	–	–	–	–	–	1.1	1.1
Investment in joint ventures	–	8.0	–	–	–	–	–	8.0
Amounts due from joint ventures	–	1.0	–	–	–	–	–	1.0
Investment in associate	–	1.3	–	–	–	–	–	1.3
Other receivables	1.7	19.9	0.2	–	–	–	–	21.8
Total non-current assets	1.7	30.2	0.2	5.5	49.3	–	2.2	89.1
Current assets								
Inventories	77.2	115.2	–	–	–	–	–	192.4
Trade and other receivables	11.8	1.0	14.9	–	–	15.7	2.0	45.4
Asset held for sale	–		–	–	4.7	–	–	4.7
Amounts due from associate	–	3.3	–	–	–	–	–	3.3
Amounts due from joint ventures	–	34.8	–	–	–	–	–	34.8
Cash and cash equivalents	–	–	–	–	–	–	10.9	10.9
Total current assets	89.0	154.3	14.9	–	4.7	15.7	12.9	291.5
Total assets	90.7	184.5	15.1	5.5	54.0	15.7	15.1	380.6
LIABILITIES								
Current liabilities								
Bank loans and overdrafts	48.0	–	–	–	–	–	–	48.0
Trade and other payables	16.8	13.1	14.3	–	1.2	–	2.3	47.7
Corporation tax	–	–	–	–	–	–	2.2	2.2
Other financial liabilities	4.1	–	–	–	–	–	–	4.1
Total current liabilities	68.9	13.1	14.3	–	1.2	–	4.5	102.0
Non-current liabilities								
Bank loans	1.1	53.0	–	–	28.0	–	–	82.1
Other loans	–	7.2	–	–	–	–	–	7.2
Zero Dividend Preference shares	–	–	–	–	–	–	25.9	25.9
Deferred tax	–	–	–	–	1.2	–	–	1.2
Total non-current liabilities	1.1	60.2	–	–	29.2	–	25.9	116.4
Total liabilities	70.0	73.3	14.3	–	30.4	–	30.4	218.4
Net assets	20.7	111.2	0.8	5.5	23.6	15.7	(15.3)	162.2

6. Segmental information continued

30 June 2018	Land[1] £m	House building £m	Contract income £m	Rental income £m	Investment properties £m	Management Fees £m	Other £m	Total £m
ASSETS								
Non-current assets								
Investment properties	–	–	–	–	52.8	–	–	52.8
Property, plant and equipment	–	–	–	–	–	–	1.3	1.3
Investments	–	–	–	–	–	–	0.2	0.2
Investment in joint ventures	–	0.4	–	–	–	–	–	0.4
Amounts due from joint ventures	–	1.0	–	–	–	–	–	1.0
Investment in associate	–	1.1	–	–	–	–	–	1.1
Amounts due from associate	–	3.0	–	–	–	–	–	3.0
Other receivables	11.0	–	–	–	–	–	–	11.0
Total non-current assets	11.0	5.5	–	–	52.8	–	1.5	70.8
Current assets								
Inventories	85.0	51.2	–	–	–	–	–	136.2
Trade and other receivables	11.5	6.3	8.2	–	1.3	2.4	0.7	30.4
Amounts due from joint ventures	–	19.0	–	–	–	–	–	19.0
Amounts due from associates	–	2.8	–	–	–	–	–	2.8
Cash and cash equivalents	–	–	–	–	–	–	40.4	40.4
Total current assets	96.5	79.3	8.2	–	1.3	2.4	41.1	228.8
Total assets	107.5	84.8	8.2	–	54.1	2.4	42.6	299.6
LIABILITIES								
Current liabilities								
Bank loans and overdrafts	26.0	–	–	–	–	–	–	26.0
Zero Dividend Preference shares	–	–	–	–	–	–	18.4	18.4
Trade and other payables	3.1	11.3	2.9	–	0.4	–	7.2	24.9
Corporation tax	–	–	–	–	–	–	6.6	6.6
Other financial liabilities	3.7	–	–	–	–	–	–	3.7
Total current liabilities	32.8	11.3	2.9	–	0.4	–	32.2	79.6
Non-current liabilities								
Bank loans	1.1	13.8	–	–	26.5	–	–	41.4
Other loans	17.2	17.1	–	–	–	–	–	34.3
Deferred tax	–	–	–	–	1.9	–	–	1.9
Total non-current liabilities	18.3	30.9	–	–	28.4	–	–	77.6
Total liabilities	51.1	42.2	2.9	–	28.8	–	32.2	157.2
Net assets	56.4	42.6	5.3	–	25.3	2.4	10.4	142.4

[1] Included within land inventories above is £15.3m (2018: £6.8m) relating to a hotel.

All assets and revenues arose solely in the United Kingdom

7. Expenses by nature

	Fifteen months to 30 September 2019 £m	Year ended 30 June 2018 £m
Depreciation	**0.7**	0.3
Operating lease rentals	**0.4**	0.1
Fees paid to BDO LLP in respect of:		
– audit of the company and consolidated accounts		
– current year	**0.3**	0.1
– prior year	**0.1**	0.1

Non-audit services fees for the period were £18,000 in relation to the interim review (year to 30 June 2018: £18,000).

8. Employee costs

The Directors of the Company who served during the period are considered to be key management personnel (year ended 30 June 2018: 8). Having considered the key decision makers within the Group and in line with some of its peer group within the industry, the Directors reassessed those considered to be key management personnel. Comparatives with the previous twelve-month reporting period are also provided below.

The employee costs (including Directors) during the period were as follows:

	Fifteen months to 30 September 2019 £m	Year ended 30 June 2018 £m
Wages and salaries	**15.0**	8.1
Social security costs	**1.7**	0.9
Pension costs - defined contribution plans	**0.4**	0.2
Share-based payments	**0.3**	0.6
	17.4	9.8
Amount capitalised to inventories (note 22)	**(8.1)**	(3.0)
	9.3	6.8

The average number of employees during the period was as follows:

	Fifteen months to 30 September 2019	Year ended 30 June 2018
Key management personnel	**3**	8
Administration	**135**	85
	138	93

Employee costs in respect of key personnel (excluding Directors) during the year ended 30 June 2018 were as follows:

	Year ended 30 June
	£m
Wages and salaries	1.0
Bonuses	0.2
Social security costs	0.2
Pension	0.1
	1.5

There were no employee or employee benefit expenses in the Company in the current period or prior year.

9. Share-based payments

Group – equity-settled option scheme

Share options are awarded to all eligible members of 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. This unapproved share option scheme is separate to the Long Term Incentive Plan (LTIP) for the Executive Directors.

Year of grant	Exercise Price p	Date from which exercisable	Expiry date	Outstanding at 1 July 2018	Issued	Exercised	Lapsed	Outstanding at 30 September 2019	Exercisable
For the period ended 30 September 2019									
2009	**16.50**	**17/12/2012**	**16/12/2019**	**580,000**	**–**	**(400,000)**	**–**	**180,000**	**180,000**
2010	**18.25**	**22/11/2013**	**21/11/2020**	**1,500,000**	**–**	**–**	**–**	**1,500,000**	**1,500,000**
2012	**17.50**	**25/06/2015**	**24/06/2022**	**170,000**	**–**	**–**	**–**	**170,000**	**170,000**
2013	**32.50**	**18/06/2016**	**17/06/2023**	**390,000**	**–**	**–**	**–**	**390,000**	**390,000**
2015	**70.25**	**22/06/2018**	**21/06/2025**	**340,000**	**–**	**–**	**(50,000)**	**290,000**	**290,000**
2018	**67.00**	**17/07/2021**	**16/07/2028**		**1,555,000**	**–**	**(135,000)**	**1,420,000**	**–**
2019	**61.30**	**18/03/2022**	**17/03/2029**		**500,000**	**–**	**–**	**500,000**	**–**
				2,980,000	**2,055,000**	**(400,000)**	**(185,000)**	**4,450,000**	**2,530,000**

Year of grant	Exercise Price p	Date from which exercisable	Expiry date	Outstanding at 1 July 2017	Issued	Exercised	Lapsed	Outstanding at 30 June 2018	Exercisable
For the year ended 30 June 2018									
2009	16.50	17/12/2012	16/12/2019	580,000	–	–	–	580,000	580,000
2010	18.25	22/11/2013	21/11/2020	1,500,000	–	–	–	1,500,000	1,500,000
2012	17.50	25/06/2015	24/06/2022	245,000	–	(75,000)	–	170,000	170,000
2013	32.50	18/06/2016	17/06/2023	490,000	–	(100,000)	–	390,000	390,000
2015	70.25	22/06/2018	21/06/2025	365,000	–	–	(25,000)	340,000	340,000
				3,180,000	–	(175,000)	(25,000)	2,980,000	2,980,000

	30 September 2019	30 June 2018	30 June 2017
Weighted average exercise price of share options:			
Exercisable	**26.23p**	25.66p	20.30p
Non-exercisable	**65.52p**	n/a	70.25p
Total	**43.18p**	25.66p	27.60p
Weighted average remaining contracted life of share options:			
Exercisable	**2.11 years**	3.17 years	3.79 years

Non-exercisable	**8.97 years**	n/a	7.98 years
Total	**5.07 years**	3.17 years	4.27 years

The weighted average exercise price of share options exercised and lapsed was 16.50p (2018: 26.07p) and 67.88p (2018: 70.25p) respectively. The weighted average share price at which share options were exercised during the period was 51.20p (2018: 64.00p).

Volatility was calculated with reference to historical share price information using the closing prices on each business day over the period since the shares have been listed. No Growth Shares were issued in the current period or prior year.

The share-based payment charged to the Income Statement for the period ended 30 September 2019 is £0.3m (year ended 30 June 2018: £0.6m) with a corresponding deferred tax asset at that date of £0.1m (2018: £0.1m) and £0.3m (2018: £0.6m) of this charge relates to the Directors.

At 30 September 2019, there were 6,833,004 (2018: 9,647,928) 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.

The Executive Directors receive 50% of bonuses in shares which are purchased by the Employee Benefit Trust and the remaining 50% in cash. The shares will be transferred to the Directors three years after the award date.

10. Finance cost

	Fifteen months to 30 September 2019 £m	Year ended 30 June 2018 £m
Interest expense:		
– bank borrowings	**3.9**	3.1
– non bank borrowings	**3.6**	1.3
– amortisation of loan arrangement fees and other fees	**1.7**	0.7
– zero dividend preference shares	**1.5**	1.1
Gross finance costs	**10.7**	6.2
Finance costs capitalised (note 22)	**(1.3)**	(1.1)
	9.4	5.1

Finance costs of £1.3m (year to 30 June 2018: £1.1m) have been capitalised on inventories in the period in accordance with IAS23 Borrowing Costs (see note 22), using the Group's cost of borrowing for that loan specific to the development in question.

11. Finance income

	Fifteen months to 30 September 2019 £m	Year ended 30 June 2018 £m
Interest from loans to joint ventures and associates	**0.7**	0.8
Other interest receivable	**0.3**	0.1
Notional interest income	**0.7**	–
	1.7	0.9

12. Tax charge

	Fifteen months to 30 September 2019 £m	Year ended 30 June 2018 £m
Current tax charge	**1.1**	4.0
Deferred tax (credit) (note 21)	**(0.7)**	(0.1)
Total	**0.4**	3.9

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:

	Fifteen months to 30 September 2019 £m	Year ended 30 June 2018 £m
Profit before tax	**25.0**	19.3
Expected tax charge based on the standard rate of corporation tax in the UK of 19.0% (2018: 19.0%)	**4.8**	3.7
Expenses not deductible for tax purposes	**0.1**	0.1
ZDP interest not deductible for tax purposes	**0.3**	0.2
Capital losses	**(0.2)**	(0.1)
Adjustments to tax charge in respect of previous periods	**(0.5)**	–
Income not deductible for tax purposes	**(2.4)**	–
Prior year capital losses now recognised	**(1.6)**	–
Other items	**(0.1)**	–
Tax charge	**0.4**	3.9

13. Earnings per share

Number of shares

	Earnings per share Weighted average	
	Fifteen months to 30 September 2019 '000	Year ended 30 June 2018 '000
For use in basic measures	**205,285**	201,621
Dilutive effect of:		
– share options	**1,500**	1,844
– deferred bonus shares	**1,823**	1,763
– growth shares	**2,397**	5,790
For use in diluted measures	**211,005**	211,018

The Group's Employee Benefit Trust (EBT) purchased 650,000 shares on 29 October 2014, 377,500 shares on 20 December 2015 and a further 600,000 shares on 16 December 2016 in Inland Homes plc under the terms of the Long Term Incentive Plan. These total 1,627,500 shares and have been deducted from the weighted average number of ordinary shares in issue and also from the shares in issue at the period end.

In several transactions in October and November 2017, the Group purchased 1,000,000 of its own shares to be held in treasury. On 18 January 2018, 175,000 shares were transferred from the treasury reserve to satisfy employee share options exercised within the terms of the Company's share optionscheme.

During the period ended 30 September 2019, the Group purchased 200,000 shares. On 24 October 2018, 849,241 shares were transferred from the treasury reserve to satisfy employee share options exercised within the terms of the Company's share option scheme. In several transactions during August and September 2019, the Group sold 175,779 shares. At 30 September 2019, no shares were held in treasury.

Amounts included for the growth shares are those where the performance conditions have been satisfied. On 6 April 2018, Paul Brett transferred 79 vested LTIP shares to the Company in exchange for the issue of 896,689 shares in the Company. On 19 July 2018, Stephen Wicks transferred 248 vested LTIP shares to the Company in exchange for the issue of 2,814,924 shares in the Company.

Basic and diluted EPS

	Fifteen months to 30 September 2019	Year ended 30 June 2018
Profit attributable to equity shareholders (£m)	**24.2**	15.4
Earnings per share	**11.79p**	7.64p
Diluted earnings per share	**11.47p**	7.30p

14. Dividends

	Payment date	Dividend per share p	2019 £m	2018 £m
15-month period to 30 September 2019				
2018 final dividend	25 January 2019	1.55	**3.2**	–
2019 interim dividend	03 July 2019	0.85	**1.8**	–
2019 interim dividend	12 June 2020	2.25	**–**	–
Distribution of current year profit			**5.0**	–
Year to 30 June 2018				
2018 interim dividend	29 June 2018	0.65	**–**	1.3
2017 final dividend	26 January 2018	1.20	**–**	2.4
Distribution of prior year profit			**–**	3.7
Dividends as reported in the Group statement of changes in equity			**5.0**	3.7

Dividends are not paid on the shares owned by the Employee Benefit Trust. During the period no dividends were received by the Company from its subsidiaries (2018: £11.0m).

15. Investment properties

	Commercial properties £m	**Residential properties £m**	**Development land £m**	**Assets under construction £m**	**Total £m**
Fair value					
At 30 June 2017	1.3	47.0	5.3	–	53.6
Additions	–	0.5	–	–	0.5
Transfer from inventories	1.2	–	–	–	1.2
Disposals	(2.5)	–	–	–	(2.5)
At 30 June 2018	–	47.5	5.3	–	52.8
Additions	2.5	0.2	0.5	1.2	4.4
Fair value adjustment	0.1	0.3	0.7	–	1.1
Transfer (to)/from inventories	–	(6.3)	2.0	–	(4.3)
Transfer to assets held for sale	–	(4.7)	–	–	(4.7)
At 30 September 2019	**2.6**	**37.0**	**8.5**	**1.2**	**49.3**

Valuation techniques

Residential properties

The Group's residential investment properties were valued by the Directors on the basis of 'open market value'. In arriving at their view of open market value the Directors had regard to the following; the accommodation offered, the square footage and the condition of each
property. They then considered the above in light of the local market and prices achieved in recent transactions in consultation with a local property agent.

15. Investment properties continued

Development land

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 £8.5m (2018: £5.3m). The Directors are of the opinion that developing the site reflects the highest and best use of this asset.

Commercial properties

The Group's commercial properties were valued by the Directors on the basis of 'open market value'. In arriving at their view of open market value the Directors had regard to the following; the accommodation offered, the square footage and the condition of each property. They then considered the above in light of the local market and yields achieved in recent transaction in consultation with a local property agent.

These techniques use significant unobservable inputs such that the fair value measurement of investment properties has been classified as Level 3 in the fair value hierarchy as set out by IFRS 13 Fair Value Measurement. There were no transfers between Levels 1 and 2 or between 2 and 3 in the fair value hierarchy during the period ended 30 September 2019 (year to 30 June 2018: None).

			Increase/(decrease)	
Sensitivity analysis	Variable	Variation	**2019**	2018
			£m	£m
Commercial properties	House prices	+5%	**0.1**	n/a
		–5%	**(0.1)**	n/a
Residential properties	Rental values	+5%	**1.9**	2.4
		–5%	**(1.9)**	(2.4)
Development land	House prices	+5%	**1.6**	1.6
		–5%	**(1.3)**	(1.3)
	Development costs	+5%	**(1.1)**	(1.1)
		–5%	**0.9**	0.9

Where investment properties are valued on a yield basis the impact of sensitising of the yield would be immaterial.

Income and expense

During the period ended 30 September 2019, £1.5m (year ended 30 June 2018: £1.3m) 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 £0.3m (year ended 30 June 2018: £0.3m). The Group did not incur any direct operating expenses arising from investment properties that did not generate rental income (year ended 30 June 2018: £nil).

Restrictions and obligations

At 30 September 2019 there were no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal (year ended 30 June 2018: None). There are no obligations (year ended 30 June 2018: None) to construct or develop the Group's residential or development land investment property.

At 30 September 2019, the historical cost of the Group's investment properties was £18.3m (at 30 June 2018: £14.7m). Certain of the investment properties are secured against the Group's borrowings. For details see note 28.

16. Property, plant and equipment

Group	Modular housing £m	Motor vehicles £m	Office equipment £m	Fixtures and fittings £m	Total £m
Cost					
At 30 June 2017	–	0.4	0.5	0.6	1.5
Additions	0.8	–	0.1	–	0.9
At 30 June 2018	0.8	0.4	0.6	0.6	2.4
Additions	4.7	–	0.7	0.3	5.7
Disposals	–	(0.1)	–	–	(0.1)
At 30 September 2019	**5.5**	**0.3**	**1.3**	**0.9**	**8.0**
Depreciation					
At 30 June 2017	–	0.2	0.3	0.3	0.8
Depreciation charge	–	0.1	0.1	0.1	0.3
At 30 June 2018	–	0.3	0.4	0.4	1.1
Depreciation charge	0.3	0.1	0.2	0.1	0.7
Disposals	–	(0.1)	–	–	(0.1)
At 30 September 2019	**0.3**	**0.3**	**0.6**	**0.5**	**1.7**
Net book value					
At 30 September 2019	**5.2**	**–**	**0.7**	**0.4**	**6.3**
At 30 June 2018	0.8	0.1	0.2	0.2	1.3
At 30 June 2017	–	0.2	0.2	0.3	0.7

17. Investments in quoted companies

Group	Quoted investments £m
Cost	
At 30 June 2018	0.2
Additions	1.3
Revaluation	(0.4)
At 30 September 2019	**1.1**

At the balance sheet date, the carrying value of investments was £1.1m.

18. Assets held for sale

The assets held for sale relate to surplus existing investment properties at Wilton Park which will not be developed. The assets were transferred based on a Directors' valuation of £4.7m. A loss of £0.2m was recognised on transfer as a result of selling costs. These assets were being marketed in September 2019 and management expect disposal to occur within 12 months of the balance sheet date.

19. Intangible assets

Group	Quoted investments £m
Cost	
At 30 June 2018	–
Additions	0.3
At 30 September 2019	**0.3**

Intangible assets relate to development costs of the Hugg Homes brand capitalised under IAS 38 'Intangible assets'.

20. Investments in Group undertakings

At 30 September 2019, the Company, directly or indirectly, held equity of the following:

Company name	Principal activity	Holding and voting rights[1]
Subsidiary undertakings		
Basildon United Football, Sports & Leisure Limited	Real estate development	100%
Brooklands Helix Developments Limited	Real estate development	100%
Bucks Developments Limited	Real estate development	100%
Chapel Riverside Developments Limited	Real estate development	100%
Drayton Developments Limited	Real estate development	100%
Drayton Garden Village Limited	Real estate development	100%
Exeter Road (Bournemouth) Limited	Real estate development	100%
High Wycombe Developments Limited	Real estate development	100%
High Wycombe Developments No. 2 Limited	Real estate development	100%
Hugg Homes Limited	Letting or operating of real estate	100%
Hugg Housing Limited	Letting or operating of real estate	100%
Inland Bermondsey Limited	Real estate development	100%
Inland Limited	Real estate development	100%
Inland Commercial Limited		100%
Inland (Southern) Limited	Real estate development	100%
Inland (STB) Limited	Provision of finance	100%
Inland Finance Limited	Real estate development	100%
Inland Helix Limited	Real estate development	100%
Inland Homes (Essex) Limited	Real estate development	100%
Inland Commercial Property Limited	Real estate development	100%
Inland Homes 2013 Limited	Holding company	100%
Inland Homes Developments Limited	Real estate development	100%
Merrielands Crescent Dagenham LLP	Real estate development	100%
Inland Housing Limited	Real estate development	100%
Inland Partnerships Limited	Construction of domestic buildings	100%
Inland Property Finance Limited	Provision of finance	100%
Inland Property Limited	Real estate development	100%
Inland ZDP plc	Provision of finance	100%
Leighton Developments Limited	Real estate development	100%
Poole Investments Limited	Real estate development	100%
Rosewood Housing Limited	Real estate development	100%
Wessex Hotel Developments Limited	Real estate development	100%
Wilton Park Developments Limited	Real estate development	100%
Interests in joint ventures		
10 Ant South Limited	Real estate development	50%
Bucknalls Developments Limited	Real estate development	50%
Cheshunt Lakeside Developments Limited	Real estate development	50%
Delamare Estate (Cheshunt) Limited	Real estate development	50%
Europa Park LLP	Real estate development	50%
Gardiners Park LLP	Real estate development	50%
Project Helix Holdco Limited	Holding company	20%
West Drayton Developments Limited	Real estate development	25%
Interest in associate		
Troy Homes Limited	Real estate development	25%

[1] All holdings are of ordinary shares.

Inland Homes 2013 Limited is the only direct subsidiary of the Company. All others are indirect holdings. All of the above entities are incorporated and domiciled in England and Wales. In addition, all entities are registered at Burnham Yard, London End, Beaconsfield, Buckinghamshire, HP9 2JH, with the exception of:

- Europa Park LLP and Gardiners Park LLP which are registered at Springfield Lodge, Colchester Road, Chelmsford, Essex, CM2 5PW
- Troy Homes Limited which is registered at 10-14 Accommodation Road, London,

NW11 8ED The joint ventures and associate 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.

Disposal of subsidiaries

During the period ended 30 September 2019, the Group incorporated and disposed of Hillingdon Properties Limited (formerly Inland Developments). No profit or loss arose on this disposal. During the year ended 30 June 2018, the Group disposed of two of its subsidiaries Uxbridge Homes Developments Limited and Inland Commercial Limited. There was a gain of £0.1m on the sale of these companies.

Group

Investment in joint ventures and associate

Investment in joint ventures						Investment in associate	
		Cheshunt					
	Bucknalls Developments £m	Lakeside Developments £m	Europa Park £m	Gardiners Park £m	Subtotal £m	Troy Homes £m	Total £m
Cost							
At 30 June 2017	–	0.2	–	–	0.2	1.1	1.3
Share of profit after tax	–	0.2	–	0.8	1.0	–	1.0
Receipts from joint ventures	–	–	–	(0.8)	(0.8)	–	(0.8)
Movement during the year	–	0.2	–	–	0.2	–	0.2
At 30 June 2018	–	0.4	–	–	0.4	1.1	1.5
Share of profit after tax	0.7	0.3	1.0	–	2.0	0.2	2.2
Receipts from joint ventures	–	–	(1.0)	–	(1.0)	–	(1.0)
Exercise of call option*	–	13.8	–	–	13.8	–	13.8
Disposal of 50% beneficial* interest	–	(7.2)	–	–	(7.2)	–	(7.2)
Movement during the period	0.7	6.9	–	–	7.6	0.2	7.8
At 30 September 2019	**0.7**	**7.3**	**–**	**–**	**8.0**	**1.3**	**9.3**

* See further details later in this note under Cheshunt Lakeside Developments Limited.

Amounts due from associate

	As at 30 September 2019 £m	As at 30 June 2018 £m
Current		
Other receivables	**0.2**	2.8
Loans	**3.1**	–
Non-current		
Loans	**–**	**3.0**
Total amounts due from associate	**3.3**	**5.8**

The above loans are repayable in October 2020 and other receivables over the period of the underlying development. Interest is charged on the loan amounts but not on other receivables.

20. Investments in Group undertakings continued

Amounts due from/(to) joint ventures

		As at 30 September 2019 £m	As at 30 June 2018 £m
Current			
Bucknalls Developments Limited	*held at carrying value*	**(2.0)**	1.6
	held at fair value through profit and loss	**4.0**	4.0
		2.0	5.6
Cheshunt Lakeside Developments Limited	*held at carrying value*	**32.8**	13.4
		34.8	19.0
Non-current			
Europa Park LLP	*held at carrying value*	**–**	1.0
Gardiners Park LLP	*held at carrying value*	**1.0**	–
		1.0	1.0
Total amounts due from joint ventures		**35.8**	20.0

The Directors have considered the classification of the amounts due from Bucknalls Developments Limited and believe that £4.0m previously classified as amounts due from joint ventures at the year ended 30 June 2018 at carrying value should be classified as assets held at fair value through profit and loss due to the Perpetual Annuity Bond interest. There is no impact on the measurement for the year ended 30 June 2018. All other amounts above are held at carrying value.

The measurement uses significant unobservable inputs to measure fair value and is based on Directors valuation given there is no readily available market information. These amounts have been classified as Level 3 in the fair value hierarchy as set out by IFRS 13 Fair Value Measurement. There have been no transfers between levels in the fair value hierarchy during the period ended 30 September 2019 (year to 30 June 2018: none).

Apart from interest, which is charged on amounts due from Bucknalls Developments Limited held at fair value through profit and loss, all other amounts are interest free and repayable on demand.

As outlined in note 5, the Group applies a forward looking expected credit loss model to measure any credit loss provision for amounts due from joint ventures and associates. Both the expected credit loss provision and the incurred loss provision in the current period and prior year are immaterial.

Summarised financial information for material joint ventures

Bucknalls Developments Limited

In December 2015, the Group entered into a joint venture with two individuals to purchase land, obtain planning permission and

develop the homes in Garston, Hertfordshire. During the year ended 30 June 2017 outline planning consent was obtained for 100 residential units. Under the terms of the joint venture, the Group is obliged to fund 50% of the costs of the site and is entitled to receive 50% of the returns. Inland Limited also entered into a management fee agreement with Bucknalls Developments Limited in the period, for which revenue and profit of £1.8m and £1.1m respectively were recognised in the Group.

Summarised statement of financial position

	As at 30 September 2019 £m	As at 30 June 2018 £m
Current assets		
Cash and cash equivalents	**0.3**	0.1
Other current assets	**12.3**	9.5
Total current assets	**12.6**	9.6
Current liabilities		
Financial liabilities (excluding trade payables and provisions)	**10.0**	9.9
Other current liabilities	**1.2**	0.3
Total current liabilities	**11.2**	10.2
Net assets/(liabilities)	**1.4**	(0.6)
Reporting entity's share	**0.7**	(0.3)
Losses restricted to nil	**–**	0.3
Carrying amount at period/year end	**0.7**	–

Summarised statement of total comprehensive income

	Fifteen months to 30 September 2019 £m	Year ended 30 June 2018 £m
Revenue	**16.6**	–
Cost of Sales and Operating expenses	**(13.3)**	–
Interest payable	**(0.9)**	(0.3)
Tax payable	**(0.4)**	–
Total comprehensive income/(expense)	**2.0**	(0.3)

Cheshunt Lakeside Developments Limited

In June 2016, the Group entered into a joint venture whose purpose was to acquire a site in Cheshunt, obtain planning permission and ultimately sell the land.

During the period ended 30 September 2019, planning consent was granted for 1,253 residential plots and 4,905sqm of retail space. Additionally, the joint venture acquired a wholly owned subsidiary, Delamare Estate (Cheshunt) Limited, during the period. Delamare Estate (Cheshunt) Limited and CLDL have entered into short-term leases with various tenants to maximise revenue in the short term.

Acquisition and subsequent disposal of interests in joint venture

At the start of the period, Inland Homes held a 50% interest in the joint venture. In addition to the direct holding, the Group held a put and call option over the other joint venture partner's 50% share. Certain conditions were attached to the options which needed to be met for either side of the option to be exercised.

By taking into account the Group's ability to exercise its option, the Group considered that together the 50% direct holding and put and call option gave the Group control over the company from 6 June 2019. As a consequence, the Group ceased to equity account for its interest in the company from this date and instead consolidated 100% of the company.

The nature of the company led the Group to conclude that the step acquisition would be most appropriately accounted for as an asset acquisition. Therefore, the carrying value of the equity accounted investment at 6 June 2019 in addition to the fair value of the option price (£13.7m) together represented the cost of net assets acquired.

On 22 September, the Group exercised its option to acquire the 50% share capital of the company under the option agreement. The option price was payable in October 2019 and is included within other payables at the balance sheet date (see note 27).

At the same time (30 September 2019), the Group entered into a contract with a third party to sell its existing 50% share of the company. As a result, the Group lost full control of the company and as at the balance sheet date has joint control under the new joint venture agreement.

20. Investments in Group undertakings continued

The disposal proceeds are payable by the new joint venture partner once the joint venture has sold the developed asset. The proceeds payable are £28.5m, and on a discounted basis are estimated to be £20m as included within other receivables due in more than one year (see note 23).

The Group has accounted for its loss of control as if it were a disposal of an asset, given that the company's activities are not considered to constitute a business. The Group has therefore de-recognised the net assets of the company and 50% of the previous carrying value has been attributed to the Group's continuing investment in the joint venture, which is now once again equity accounted.

The profit on sale of the Group's 50% holding resulted in a gain recognised in the Income Statement of £12.6m, being the fair value of the disposal proceeds (£20m) less 50% of the previous carrying amount (£7.4m).

Summarised statement of financial position

	As at 30 September 2019 £m	As at 30 June 2018 £m
Current assets		
Cash and cash equivalents	–	0.3
Other current assets	**74.6**	57.5

Total current assets	**74.6**	57.8
Current liabilities		
Financial liabilities (excluding trade payables and provisions)	**69.5**	56.6
Other current liabilities	**0.9**	0.6
Total current liabilities	**70.4**	57.2
Non-current liabilities		
Financial liabilities (excluding trade payables and provisions)	**3.1**	–
Total non-current liabilities	**3.1**	–
Total liabilities	**73.5**	–
Net assets	**1.1**	0.6
Reporting entity's share of profit	**0.3**	0.3
Investment cost	**0.4**	0.1
Exercise of call option	**13.8**	–
Disposal of 50% beneficial interest	**(7.2)**	–
Carrying amount at period / year end	**7.3**	0.4

Summarised statement of total comprehensive income

Time period:	**Period from 1 July 2018 to 5 June 2019**	**Period from 6 June 2019 to 29 September 2019**	**At 30 September 2019**	Year ended 30 June 2018
Accounting treatment:	*Accounted as a joint venture under IAS28*	*Accounted as a subsidiary*	*Accounted as a joint venture under IAS28*	*Accounted as a joint venture under IAS28*
	£m	**£m**	**£m**	**£m**
Revenue	**1.9**	**0.5**	**–**	0.7
Cost of sales and operating expenses	**(1.2)**	**(0.4)**	**–**	(0.3)
Total comprehensive income	**0.7**	**0.1**	**–**	0.4

Europa Park LLP

In December 2017, the Group entered into a joint venture which acquired a site in Ipswich, Suffolk from the Group which has planning permission for 94 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. During the period ended 30 September 2019, the site is under construction and the company has sold half of the residential units.

Summarised statement of financial position

	As at 30 September 2019 £m	As at 30 June 2018 £m
Current assets		
Cash and cash equivalents	**–**	0.1
Other current assets	**3.2**	2.7
Total current assets	**3.2**	2.8
Current liabilities		
Financial liabilities (excluding trade payables and provisions)	**–**	1.9
Other current liabilities	**0.7**	0.9
Total current liabilities	**0.7**	2.8
Non-current liabilities		
Financial liabilities (excluding trade payables and provisions)	**2.5**	–
Total non-current liabilities	**2.5**	–

Total liabilities	**3.2**	2.8
Net assets	**–**	–
Reporting entity's share	**–**	–
Investment cost	**–**	–
Carrying amount at period/year end	**–**	–

Summarised statement of total comprehensive income

	Fifteen months to 30 September 2019 £m	Year ended 30 June 2018 £m
Revenue	**10.1**	–
Cost of sales and operating expenses	**(8.0)**	–
Interest payable	**(0.2)**	–
Total comprehensive income	**1.9**	–

Gardiners Park LLP

In November 2016, the Group entered a joint venture with Constable Homes to develop a site in Basildon, Essex with 30 private and 13 Housing Association units. 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. During the period ended 30 September 2019, the site is under construction and the company has exchanged on a number of residential units.

20. Investments in Group undertakings continued

Summarised statement of financial position

	As at 30 September 2019 £m	As at 30 June 2018 £m
Current assets		
Cash and cash equivalents	**0.5**	0.4
Other current assets	**5.2**	0.9
Total current assets	**5.7**	1.3
Current liabilities		
Other current liabilities	**0.9**	1.3
Total current liabilities	**0.9**	1.3
Non-current liabilities		
Financial liabilities (excluding trade payables and provisions)	**2.8**	–
Total non-current liabilities	**2.8**	–
Total liabilities	**3.7**	1.3
Net Assets	**2.0**	–
Reporting entity's share	**1.0**	–
Investment cost	**–**	–
Carrying amount at period / year end	**1.0**	–

Summarised statement of total comprehensive income

	Fifteen months to 30 September 2019 £m	Year ended 30 June 2018 £m
Revenue	**2.0**	11.0
Cost of sales and operating expenses	**(1.8)**	(9.3)
Interest payable	**(0.1)**	(0.1)
Total comprehensive income	**0.1**	1.6

During the period, the Group provided an additional amount of £1m to Gardiners Park LLP which has been classified as a long-term receivable in the annual accounts of Inland Homes plc but has been treated as equity in the financial statements of Gardiners Park LLP.

Interest in associate

Summarised financial information for material associate

Troy Homes Limited

For the 15-month period ended 30 September 2019, Troy Homes made a profit before tax of £0.5m (year ended 30 June 2018: £0.2m).

In October 2015, the Group acquired 25% of Troy Homes Limited (Troy Homes), a premium housebuilder, and is entitled to 25% of the net returns.

Summarised statement of financial position

	As at 30 September 2019 £m	As at 30 June 2018 £m
Non-current assets		
Tangible assets	–	0.1
Total non-current assets	–	0.1
Current assets		
Cash and cash equivalents	3.0	3.1
Other current assets	32.3	29.3
Total current assets	35.3	32.4
Total assets	35.3	32.5
Current liabilities		
Financial liabilities (excluding trade payables and provisions)	18.1	14.1
Other current liabilities	3.8	5.5
Total current liabilities	21.9	19.6
Non-current liabilities		
Financial liabilities (excluding trade payables and provisions)	9.4	9.2
Total non-current liabilities	9.4	9.2
Total liabilities	31.3	28.8
Net assets	4.0	3.7
Reporting entity's share	1.0	0.9
Investment cost	1.1	0.2
Carrying amount at period/year end	2.1	1.1

Summarised statement of total comprehensive income

	Fifteen months to 30 September 2019 £m	Year ended 30 June 2018 £m
Revenue	29.0	14.2
Cost of sales and operating expenses	(26.2)	(12.9)
Interest payable	(2.1)	(1.4)
Income tax (payable)/receivable	(0.2)	0.3
Total comprehensive income	0.5	0.2

Company

	30 September 2019 £m	30 June 2018 £m
Cost	12.5	12.5

Net book value	**12.5**	12.5

Notes to the financial statements CONTINUED

for the fifteen-month period ended 30 September 2019

21. Deferred tax

Group

	Revaluation gain £m	Capital losses recognised on revaluation gain £m	Notional interest on deferred consideration £m	Share-based payments £m	Total £m
At 1 July 2018	6.0	(2.7)	(0.7)	(0.7)	1.9
(Charged)/credited to income statement	0.3	(1.6)	0.7	(0.1)	(0.7)
At 30 September 2019	**6.3**	**(4.3)**	**–**	**(0.8)**	**1.2**

Company

	Revaluation gain £m	Capital losses recognised on revaluation gain £m	Notional interest on deferred consideration £m	Share-based payments £m	Total £m
At 1 July 2018	–	–	–	(0.7)	(0.7)
Credited to income statement	–	–	–	(0.1)	(0.1)
At 30 September 2019	–	**–**	**–**	**(0.8)**	**(0.8)**

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 isprobable.

22. Inventories

	As at 30 September 2019 £m	As at 30 June 2018 £m
At 1 July	**136.2**	139.9
Additions	**154.6**	107.8
Capitalisation of finance costs	**1.3**	1.1
Capitalisation of employee costs	**8.1**	3.0
Charged to income statement	**(111.9)**	(113.7)
Transferred from/(to) investment property	**4.3**	(1.2)
Impairment	**(0.2)**	(0.7)
At 30 September 2019/30 June 2018	**192.4**	136.2

Split of inventories

	As at 30 September 2019 £m	As at 30 June 2018 £m
Work in Progress	**115.2**	74.5
Land	**77.2**	61.7
	192.4	136.2

Certain of the inventories are secured against the Group's borrowings. For details see note 28.

Included within inventories is £nil (30 June 2018: £0.9m) in relation to construction contracts and to 30 September 2019 £66.7m (30 June 2018: £15.5m) has been billed in relation to these contracts.

23. Trade and other receivables

	Group		Company	
	As at 30 September 2019 £m	As at 30 June 2018 £m	**As at 30 September 2019 £m**	As at 30 June 2018 £m
Trade receivables from contract revenue with customers	**14.7**	16.1	**–**	–
Prepayments and accrued income	**18.9**	0.4	**–**	–
Other receivables	**11.8**	13.9	**1.6**	0.2
Amounts owed by Group undertakings	**–**	–	**38.6**	36.9
Trade and other receivables due in less than one year	**45.4**	30.4	**40.2**	37.1
Other receivables due in more than one year	**21.8**	11.0	**–**	–
	67.2	41.4	**40.2**	37.1

Materially, all of the trade receivables are receivables from contract revenue with customers.

The carrying value of trade and other receivables is considered a reasonable approximation of fair value. During the year to 30 June 2018,
£0.5m was written off in relation to a contractor which went into administration in 2016 (for more details see note 27).

Included within other receivables due in greater than one year is £19.9m (30 June 2018: nil) in relation to the sale of the Group's beneficial interest of 50% in Cheshunt Lakeside Developments Limited. See note 20 for further details.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9 for trade receivables. The Group applies the general approach to providing for expected credit losses prescribed by IFRS 9 for other receivables. Both the expected credit loss provision and the incurred loss provision in the current period and prior year are immaterial. Refer to note 5 for further details.

Other receivables

	Group As at 30 September 2019 £m	As at 30 June 2018 £m
Due in less than one year		
Sale of subsidiary	**2.9**	1.3
Sale of interest in joint venture	**2.1**	5.0
Construction contract bond	**–**	5.0
Loan facility	**4.2**	–
Other	**2.6**	2.6
	11.8	13.9
Due in more than one year		
Sale of subsidiary	**–**	4.7
Sale of interest in joint venture	**19.9**	5.7
Other	**1.9**	0.6

	21.8	11.0

Within other receivables due in less than one year is £nil (30 June 2018: £0.5m) relating to retentions receivable from construction contracting clients and within trade receivables is £5.0m (30 June 2018: £2.9m) relating to income accrued on a construction contract.

Within other receivables due in more than one year is £1.7m (30 June 2018: £nil) relating to retentions receivable from construction contracting clients.

Loan facility includes £3m (30 June 2018: £nil) receivable from Hillingdon Properties Limited. The loan facility bears no interest and is repayable on demand.

24. Cash and cash equivalents

	Group As at 30 September 2019 £m	30 June 2018 £m	Company As at 30 September 2019 £m	As at 30 June 2018 £m
Cash at bank and at hand	**10.9**	40.4	**7.1**	18.3

25. Share capital

Group and Company

The movement in the number of shares in issue is shown in the table below.

	Authorised, issued and fully paid			
	10p ordinary shares		10p deferred shares	
	Number	£m	Number	£m
At 30 June 2017	203,654,432	20.4	9,980	–
Issued on exercise of LTIP	896,689	0.1	–	–
At 30 June 2018	204,551,121	20.5	9,980	–
Issued on exercise of LTIP	2,814,924	0.2	–	–
At 30 September 2019	**207,366,045**	**20.7**	**9,980**	**–**

Employee Benefit Trust		
At 30 June 2017 and at 30 June 2018	1,627,500	(1.1)
Purchase of own shares for deferred bonus plan	–	–
At 30 September 2019	**1,627,500**	**(1.1)**

Treasury reserve		
At 30 June 2017	–	–
Purchase of own shares	1,000,000	(0.6)
Exercise of share options	(175,000)	0.1
At 30 June 2018	825,000	(0.5)
Purchase of own shares	200,000	(0.1)
Exercise of share options	(1,025,000)	0.6
At 30 September 2019	**–**	**–**

Total voting shares[1]	
At 30 June 2017	202,026,932
At 30 June 2018	202,098,621
At 30 September 2019	**205,738,545**

[1] Ordinary shares in issue less shares held in the Employee Benefit Trust and the Treasury reserve.

Ordinary shares

Except for the shares held in the Employee Benefit Trust and the Treasury reserve (see note 26), 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. Ordinary shares issued after the balance sheet date but prior to the date of this report are disclosed in note 36.

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.

26. Reserves

The following describes the nature and purpose of each reserve within shareholders' equity

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value less directly attributable issue costs.
Employee benefit trust	This 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. At 30 September 2019 this reserve holds 1,627,500 shares (30 June 2018: 1,627,500 shares).
Special reserve	A resolution was passed at the AGM in November 2011 for the capitalisation of the Parent Company's reserves to allow for the possibility of distributions in the future and this was put in the Special Reserve, which is a distributable reserve. A copy of this resolution is available from Companies House.
Treasury reserve	This represents the purchase of the Company's own shares and are deducted from total equity until they are issued to employees under the share option plan. At 30 September 2019, this reserve holds no shares (30 June 2018: 825,000).
Retained earnings	Cumulative net gains and losses recognised in the Group income statement together with other items such as dividends and share–based payments.

27. Trade and other payables

	Group		Company	
	As at 30 September 2019 £m	As at 30 June 2018 £m	**As at 30 September 2019 £m**	As at 30 June 2018 £m
Trade payables	**19.5**	8.5	**0.1**	–
Other payables	**14.8**	3.1	**0.1**	0.4
Sales and social security taxes	**0.5**	6.4	**–**	0.5
Provisions	**0.2**	–	**–**	–
Accruals	**12.7**	6.9	**0.4**	0.2
	47.7	24.9	**0.6**	1.1

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

Within trade payables is £7.1m (30 June 2018: £0.7m) relating to amounts payable in relation to construction contracts.

Included within other payables is £13.7m (30 June 2018: £nil) in relation to the option liability payment for the purchase of 50% of Cheshunt Lakeside Developments Limited. See note 20 for further details.

The contingencies note of last year's financial statements included disclosure relating to a claim and counter-claim with respect to one of the Group's contractors which went into Administration during the year ended 30 June 2016. Included within other creditors of £3.1m at 30 June 2018 is a provision for £0.3m for the final agreed settlement with the Administrators in relation to these claims.

Notes to the financial statements CONTINUED

for the 15-month period ended 30 September 2019

28. Borrowings

	< 1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	> 5 years £m	Total £m
At 30 September 2019							
Secured bank loans	26.8	51.3	1.2	29.6	–	–	108.9
Other secured loans	21.2	–	–	–	7.2	–	28.4
Borrowings	48.0	51.3	1.2	29.6	7.2	–	137.3
ZDP shares	–	–	–	–	25.9	–	25.9
Gross debt	**48.0**	**51.3**	**1.2**	**29.6**	**33.1**	**–**	**163.2**
Cash and cash equivalents							(10.9)
Net debt							**152.3**
At 30 June 2018							
Secured bank loans	26.0	13.8	–	27.6	–	–	67.4
Other secured loans	–	17.2	10.5	–	–	6.6	34.3
Borrowings	26.0	31.0	10.5	27.6	–	6.6	101.7
ZDP shares	18.4	–	–	–	–	–	18.4
Gross debt	44.4	31.0	10.5	27.6	–	6.6	120.1
Cash and cash equivalents							(40.4)
Net debt							79.7
Undrawn committed bank facilities							
At 30 September 2019		**0.4**	**0.1**	**14.8**	**5.3**	**–**	**20.6**
At 30 June 2018	–	13.9	13.3	–	–	4.9	32.1

At 30 September 2019, the bank loans were secured over £47.9m (30 June 2018: £47.1m) of investment property and assets held for sale and £147.3m (30 June 2018: £16.6m) of inventories. The other loans were secured over £7.0m (30 June 2018: £5.3m) of investment property and £38.1m (30 June 2018: £50.9m) of inventories. The ZDP shares were secured against inventories of £nil (30 June 2018: £4.1m) and loans to joint ventures and associates of £38.7m (30 June 2018: £18.9m). No property, plant or equipment are pledged as security.

Zero Dividend Preference (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. At 30 September 2019, there were 16,430,790 ZDP shares in issue (30 June 2018: 12,444,200). An explanation of the fair value of the ZDP shares is included in note 31. In August 2018, the ZDP shareholders agreed to rollover and extend the facility and will now be repaid on or before 10 April 2024. This was accounted for as a substantial modification due to the significant extension to the term of the debt, the change to the covenants and the substantial change in interest rate. This resulted in no gain or loss being recognised in the Income Statement. Further ZDP shares were issued after the period end; refer to note 36 for further information.

IFRS 7 Financial liabilities: Disclosure, requires disclosure of the maturity of the Group's remaining contractual financial liabilities. The table below shows the contractual undiscounted cash outflows arising from the Group's gross debt which is split between fixed rate and variable rate borrowings.

	< 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
	£m	£m	£m	£m	£m	£m	£m
At 30 September 2019							
Variable rate borrowings	**26.8**	**51.3**	**1.2**	**29.6**	**7.2**	**–**	**116.1**
Fixed rate borrowings	**47.1**	**–**	**–**	**–**	**–**	**–**	**47.1**
Gross debt	**73.9**	**51.3**	**1.2**	**29.6**	**7.2**	**–**	**163.2**
Interest on gross debt	**5.9**	**3.6**	**1.4**	**0.8**	**0.2**	**–**	**11.9**
Gross loan commitments	**79.8**	**54.9**	**2.6**	**30.4**	**7.4**	**–**	**175.1**
At 30 June 2018							
Variable rate borrowings	26.0	13.8	10.5	27.6	–	6.6	84.5
Fixed rate borrowings	18.4	17.2	–	–	–	–	35.6
Gross debt	44.4	31.0	10.5	27.6	–	6.6	120.1
Interest on gross debt	6.2	2.2	1.9	0.4	0.3	0.3	11.3
Gross loan commitments	50.6	33.2	12.4	28.0	0.3	6.9	131.4

29. Cash flow information

Net debt reconciliation

			Non-cash movements			
	As at 30 June 2018	Cash flows	Amortisation of loan Arrangement fees	Non cash receivable settlement	Movement in accrued liability	**As at 30 September 2019**
	£m	£m	£m	£m	£m	**£m**
Secured bank loans	67.4	38.5	1.7	1.3	–	**108.9**
Other secured loans	34.3	(5.9)	-	-	–	**28.4**
Borrowings	101.7	32.6	1.7	1.3	–	**137.3**
ZDP shares	18.4	6.2	–	-	1.3	**25.9**
Gross debt	120.1	38.8	1.7	1.3	1.3	**163.2**
Cash and cash equivalents	(40.4)	29.5	–	–	–	**(10.9)**
Net debt	79.7	71.6	(0.3)	-	1.3	**152.3**
Net assets IFRS	142.4					**162.2**
Net gearing IFRS	56.0%					**93.9%**

30. Other financial liabilities

Other financial liabilities of £4.1m (30 June 2018: £3.7m) relates to purchase consideration on inventories falling due within one year.

31. Financial instruments

Financial riskmanagement

The Group's activities expose it to a variety of financial risks: credit risk; liquidity risk; interest rate risk and price risk. The Group's overall risk management programmes focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out centrally under policies approved by the Board of Directors.

(a) Credit risk

The Group's significant concentrations of credit risk are its loans to joint ventures and the associate and deferred receipts on disposal of investment in subsidiaries and joint ventures and management fees which are adequately covered by the underlying values of the assets within the joint ventures and associate or legal charges over the land within the vehicle disposed of or from where management fees are due. Further information can be found in note 20 and 23. It has policies in place to ensure that sales of products and services are made to customers with an appropriate credithistory.

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the year end date, as summarised below:

	As at 30 September 2019 £m	As at 30 June 2018 £m
Classes of financial assets – carrying amounts		
Cash and cash equivalents	**10.9**	40.4
Amounts due from joint ventures in less than one year	**34.8**	19.0
Amounts due from joint ventures in more than one year	**1.0**	1.0
Amounts due from associate due in more than one year	**–**	3.0
Amounts due from associates in less than one year	**3.3**	2.8
Receivables due in more than one year	**21.8**	11.0
Trade and other receivables	**44.4**	30.0
	116.2	107.2

The Group's policy is to only deal with creditworthy counterparties. A creditworthy counterparty is defined by the Group as a counterparty that carries a minimal risk that the counterparty in a transaction cannot honour its obligation to the Group.

Counterparties are assessed on contract inception through externally available information where legal charges are not available over the underlying asset and are reviewed periodically to determine if there are any changes in creditworthiness or other circumstances that may bring the financial viability of the counterparty in some doubt.

All new contracting and management service contracts entered into are with reputable parties and are subject to acceptance procedures which include detailed creditworthiness checks. This procedure ensures that collectability is probable i.e. more likely than not, prior
to commencement of the contract. In this regard no instances have been identified in the past where the collectability of the sales consideration has been considered improbable at the time of contract commencement.

In any instance where part of all the consideration is deferred, the Group additionally seeks and secures a legal charge over underlying property assets held until such time that all elements of the deferred consideration has been fully received at which point that legal charge is released.

The Group has assessed loans and advances due from joint ventures and associate and have concluded there is a minimal risk of default. Default is defined and assessed as a risk of missed payment of interest and/or principal or a failure to honour the financial terms in place between the Group and the joint ventures and associate in question.

The assessment of credit risk for amounts due from joint ventures are based on a consideration of known future cash flows which have been sensitised, based on the most likely, the worst case and a mid-case scenarios. These cash flows are reviewed against what is due and expected to be paid and analysis made of whether this is sufficient to repay monies based on the financial terms in place between the Group and the joint ventures in question.

The assessment of credit risk for amount due from the associate are based on net valuations. The valuation of properties has been sensitised based on the most likely, the worst case and a mid-case scenario downturn in valuations. These valuations are

reviewed against what is due and expected to be paid and analysis made of whether this is sufficient to repay monies based on the financial terms in place between the Group and associate in question.

Loans to joint ventures and associates are secured via charge over either the underlying asset, the future dividends of or the future profits generated by the relevant entity based on the agreement between the joint venture or associate in question. The Group does not rely on this collateral in taking its position of reviewing and/ or recognising an expected credit loss.

At the balance sheet date there are no financial assets that are credit impaired.

Management has determined there has not been a significant increase in credit risk on loans to subsidiaries from the parent company and loans to joint ventures and associates for the Group during the fifteen-month period ended 30 September 2019 or the prior year ending 30 June 2018.

A majority of current trade and other receivables will be paid within 30-59 days. Due to the short term nature, the Group does not anticipate any material default and the Directors do not consider the macro economic environment conditions (inflation, exchange rates and property prices) to substantially change in the short term. There has been one immaterial write off in the past five years.

The vast majority of trade and other receivable balances relate to property transactions and are short term in nature. As a housing developer, the risk of not receiving settlement on sales or services are low as such no trade and other receivables are deemed credit impaired.

The Group's management considers that all the above financial assets for each of the reporting dates under review are of good credit quality. The Directors consider that none of the financial assets have expected credit losses. Further information on the concentration of credit risk can be found in note 23.

Other forms of credit risk are for liquid funds and other short-term financial assets but these are considered negligible, since the counterparties are reputable banks with high quality credit ratings.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash balances and ensuring availability of funding through an adequate amount of credit facilities. The Group aims to maintain flexibility in funding by keeping credit lines available. The Group also purchases property under deferred consideration arrangements.

(c) Interest rate risk

The Group's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to risk. Most of the Group's borrowings are at variable rates as outlined in the table in note 28. The Group does not use hedging arrangements to limit the interest rate risk.

Market rate sensitivity analysis

The analysis below shows the sensitivity of the Group Income Statement and net assets to a 0.5 per cent change in interest rate on the Group's financial instruments that are affected by market risk. These financial instruments consist solely of borrowings.

	As at 30 September 2019 £m	As at 30 June 2018 £m
Total impact on pre-tax profit and equity of 0.5 per cent increase in interest rates – loss	**(0.5)**	(0.3)
Total impact on pre-tax profit and equity of 0.5 per cent decrease in interest rates – gain	**0.5**	0.3

(d) Price risk

The Group's price risk arises from the market value of land and house prices. These are affected by credit availability, employment levels, interest rates, consumer confidence and the supply of land. Whilst it is not possible for the Group to fully mitigate such risks on a
macroeconomic basis, the Group does focus its operations in areas that have a favourable supply/demand ratio and ensures that planning permissions gained are for units of the type and price point which are less easily affected by any downturns in the housing market. The Group enters into construction contracts with housing associations which involve the bulk, forward selling of residential units and has less risk than private housebuilding.

31. Financial instruments continued

Financial assets and liabilities

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

	As at 30 September 2019 £m	As at 30 June 2018 £m
Amortised cost		
Other assets – non-current	**1.2**	15.2
Other assets – current	**80.5**	47.8
Cash and cash equivalents	**10.9**	40.4
Fair value through other comprehensive income		
Other assets – non-current	**1.1**	0.2
Fair value through profit and loss		
Other assets – current	**4.0**	4.0
	97.7	107.6
Financial liabilities		
Financial liabilities measured at amortised cost:		
– borrowings	**137.3**	101.7
– Zero Dividend Preference shares	**25.9**	18.4
– other liabilities – current	**51.3**	22.2
	214.5	142.3

Other assets – non current includes investments, amounts due from associate and joint ventures shown in note 20 and amounts shown as trade and other receivables in note 23 due in more than one year.

Other assets – current includes amounts due from associate and joint ventures shown in note 20 and all amounts shown as trade and other receivables due in less than one year in note 23 except prepayments of £1.0m (30 June 2018: £0.4m). Amounts due from Bucknalls Developments Limited is split between Amortised Cost and Fair Value Through Profit and Loss.

Other liabilities includes purchase consideration of £4.1m (30 June 2018: £3.7m) shown in note 30 and all amounts shown as trade and other payables in note 27 except sales and social security taxes of £0.5m (30 June 2018: £6.4m). All amounts are non-interest bearing and are due within one year.

Borrowings consist of loans which attract interest at varying rates and there is a variety of fixed and variable rates (see table in note 28). The ZDP shares are carried at their accrued value of 159.12p per share (30 June 2018: 147.59p) however their closing price on the main market of the London Stock Exchange on 30 September 2019 was 161.50p (30 June 2018: 151.70p). The ZDP shares attract an interest rate of between 4.96% and 5.49%. The interest rates disclosed for the ZDP preference shares were the rates disclosed before the changes in August 2018.

32. Commitments and leases

Operating lease commitments where the Group is the lessor

The Group lets houses, commercial properties, modular homes and land under non-cancellable operating lease agreements to third parties. The leases have varying terms, escalation clauses and renewal rights.

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

	As at 30 September 2019 £m	As at 30 June 2018 £m
Due in less than one year	**1.5**	0.7
Due later than one year and not later than five years	**1.8**	0.1
Due later than five years	**0.9**	–
	4.2	0.8

There were no significant leasing arrangements at 30 September 2019 and 30 June 2018.

Operating lease commitments where the Group is the lessee

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

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

	As at 30 September 2019 £m	As at 30 June 2018 £m
Due in less than one year	**0.3**	0.1
Due later than one year and not later than five years	**1.4**	0.1
	1.7	0.2

The Company has a rental contract for the registered office at Burnham Yard, London End, Beaconsfield, HP9 2JH dated 30 January 2019. This contract has a non-cancellable term of six years, with an annual rent of £318,000. Other than this there were no significant leasing arrangements in the current or prior year.

Joint ventures and associate

For Bucknalls Developments Limited, the Group is committed to contributing 50% of all costs not funded by external borrowings and no further costs are expected.

For Cheshunt Lakeside Developments Limited, the Group is committed to contributing all costs not funded by external borrowings together with its joint venture partner.

For Europa Park LLP, the Group is committed to contributing 50% of all costs not funded by external borrowings and no further costs are expected.

For Gardiners Park LLP, the Group is committed to contributing 50% of all costs not funded by external borrowings and no further costs are expected.

For Troy Homes Limited, the Group acquired 25% of Troy Homes Limited and is entitled to 25% of the net returns. There are no commitments to note.

33. Capital management policies and procedures

The Group's objectives when managing capital are:

- to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to ensure sufficient liquid resources are available to meet the funding requirement of its projects and to fund new projects where identified.

This is achieved through ensuring sufficient bank and other facilities are in place; further details are given in notes 28 and 31 to the Group accounts. The Group monitors capital on the basis of the carrying amount of the equity less cash and cash equivalents as presented on the face of the Group Statement of Financial Position.

The movement in the capital to overall financing ratio is shown below. The target capital to overall financing ratio has been set by the Directors at 40% and results under this amount are considered to be a good performance against the target. Further commentary on the level of borrowing, overall financing strategy and expected future direction is contained in the Finance Director's report.

	As at 30 September 2019 £m	As at 30 June 2018 £m
Equity	**162.2**	142.4
Less: cash and cash equivalents	**(10.9)**	(40.4)
	151.3	102.0

Equity	**162.2**	142.4
Borrowings	**163.2**	120.1
Overall financing	**325.4**	262.5
Capital to overall financing	**46.5%**	38.9%

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

Every quarter the Group must report to the ZDP shareholders that the covenants attached to the ZDP shares have not been breached. The most significant covenant is the asset cover which is calculated as adjusted gross assets: financial indebtedness. This covenant is monitored on a bi-monthly basis by the Board and has not been breached at any time. Further details can be found in the Inland ZDP Prospectus on the Company's website at www.inlandhomesplc.com.

34. Contingencies

Inland Homes plc has guaranteed the obligations of certain borrowings of its subsidiaries:

	As at 30 September 2019 £m	As at 30 June 2018 £m
Chapel Riverside Limited	**7.2**	11.5
High Wycombe Developments Limited	**2.2**	2.2
Inland Homes Developments Limited	**30.3**	20.0
Inland (STB) Limited	**8.8**	54.1
Inland Property Finance Limited	**17.2**	25.0
Inland Commercial Property Limited	**1.3**	–
Inland Limited	**4.0**	–
	71.0	112.8

All of these subsidiaries are going concerns.

Inland Homes plc has guaranteed the obligations of certain subsidiaries with regards to the payments of subcontractors. No guarantees were considered significant at 30 September 2019.

Inland Homes plc has guaranteed the build performance obligations of Inland Limited and Inland Partnerships Limited on their contracts with housing associations. The Directors do not consider that these guarantees could be called up.

Inland Homes plc has guaranteed the obligations of Poole Investments Limited on its commitments to its associate company, Troy Homes Limited. Further information on these commitments can be found in note 20.

No provisions have been made in these financial statements in respect of any of these contingent liabilities.

35. Related party transactions

The Group has interests in several joint ventures, all of which are considered to be material. Further information including the Group's share of the net assets and net results of these joint ventures as well as outstanding loan amounts, interest and distributions received can be found in note 20.

Mr Malde is a non-executive Director of Troy Homes Limited, an associate of the Group. Please see note 20 for balances outstanding from the associate and contractual terms of the debtors at 30 September 2019 and as at 30 June 2018.

36. Post balance sheet events

On 7 November 2019, a further 1,671,067 ZDP shares were issued for gross proceeds of £2.7m. Following this issue, the number of ZDP shares in issue was 18,101,857 shares.

On 14 November 2019, the Group issued 180,000 new ordinary shares of 10 pence each pursuant to an exercise of options over ordinary shares by an employee of the company.

On 18 December 2019, the Group obtained a loan of £7.0m from W.E. Black Ltd with a term of 12 months.

On 19 December 2019, the Group issued 25,000 new ordinary shares of 10 pence each pursuant to an exercise of options over ordinary shares by an employee of the Company.

On 20 December 2019, the Group renewed its loan facility from Secure Trust of £26.75m to a revised expiry date of 18 December 2020.

On 27 December 2019, the Group disposed of a 50% interest in High Wycombe Developments Limited to Qbay Limited and entered into a joint venture agreement.

On 30 January 2020, the Group arranged a new debt facility of £20.0m to be available from May 2020 with a term of 12 months from drawdown.