

INLAND HOMES PLC
(the "Company")

(a public limited company incorporated in England and Wales and with registered number 5482990)

INLAND HOMES PLC

SECURED LOAN NOTE 2019

Issued pursuant to the Company's Memorandum and Articles of Association and created pursuant to a Resolution of the Board of Directors passed on 15 September 2016


Loan Note for £1,572,090 nominal value (the "Nominal Value") received from the Noteholder.

The Company will pay to INLAND ZDP PLC (the "Noteholder"), a public limited company incorporated in England with registered number 8303612, the principal sum of £1,572,090 without interest (the "Repayment Value") in accordance with the Conditions endorsed hereon.

1. This Loan Note is issued subject to and with the benefit of the Conditions endorsed hereon which are deemed to be part of it.
2. This Loan Note and the Conditions are governed by and shall be construed in accordance with English law. The courts of England shall have exclusive jurisdiction in relation to any claim, dispute or difference concerning this Loan Note and the Company and the Noteholder submit to the jurisdiction of such courts and waive any right to object to an action being brought in such courts, to claim that the action has been brought in an inconvenient forum or to claim that the courts of England do not have jurisdiction.

Executed as a deed this 28th day of September 2016.

Executed as a deed by Inland Homes PLC acting by a director in the presence of:



Signature Director

Signature of witness 

NISHITH MALDE

Print name

Name NICOLA MCCUE
Print name of witness

Address 6 SOUTHGATE COTTAGES, RICKMANSWORTH PARK, RICKMANSWORTH, HERTS
WD3 1HX

Occupation OFFICE ADMINISTRATOR

CONDITIONS

1 DEFINITIONS

In this Note (including these Conditions) the following expressions have the following meanings:-

- “Adjusted Rolled Up ZDP Amount”** means on any date (a) the Rolled Up ZDP Amount on such date minus (b) the amount of Pledged Cash on such date;
- “Articles”** means the articles of association of the Noteholder;
- “Assets”** means on any date the net sum of (i) consolidated gross assets of the Group; less (ii) intangible assets; less (iii) cash; less (iv) trade creditors payable before the date falling six months following the ZDP Final Payment Date; and less (v) outstanding deferred consideration payable for sites purchased by Group Companies other than (a) any Excess Deferred Consideration and (b) any deferred consideration payable after the date falling six months following the ZDP Final Payment Date;
- “Business Day”** means any day on which banks are open for business in London (excluding Saturdays, Sundays and public holidays);
- “Contribution Agreement”** means the agreement dated 20 December 2012 under which the Company has agreed, *inter alia*, to contribute (by way of gift, capital contribution or otherwise) such cash funds as will ensure that the Noteholder is able to meet in full the Rolled Up ZDP Amount on various

	potential dates;
“Directors”	means the Board of Directors of the Company;
“Excess Deferred Consideration”	means deferred consideration due to a vendor from any member of the Group in respect of any site which represents more than 60 per cent. of the initial purchase price of such site excluding amounts payable after the date falling six months following the ZDP Final Payment Date and excluding amounts in respect of which the vendor has no recourse to the assets of the Group other than the asset sold by such vendor;
“Final Capital Entitlement”	means 155.9 pence per ZDP Share;
“Financial Indebtedness”	means the net sum of (i) bank and other borrowings of the Group less any cash of the Group and (ii) Excess Deferred Consideration; other than any such indebtedness which is repayable after six months following the ZDP Final Payment Date;
“Gearing Ratio”	means the gearing ratio of (i) the sum of the Financial Indebtedness and the Rolled Up ZDP Amount to (ii) Assets;
“Group”	means the Company and each subsidiary of the Company; “Group Company” and “Group Companies” shall be construed accordingly;
“Loan Note”	means the Nominal Value for the time being issued and outstanding represented by this Secured Loan Note;
“Pledged Cash”	means the amount of cash held by the Company in the bank account opened by the

	Company to hold cash which is subject to first ranking security in favour of the Noteholder;
“Prospectus”	means the prospectus dated 14 December 2012 issued by the Noteholder and the Company relating to the admission of the ZDP Shares to a standard listing on the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange plc;
“Register”	means the register of holders of the Loan Note to be kept at the Company’s registered office (or at such other place as the Company may from time to time notify the holders of the Loan Note);
“Repayment Date”	means 10 April 2019;
“Rolled Up ZDP Amount”	means as at any day the accrued capital entitlement of all of the issued ZDP Shares (ignoring any ZDP Shares held in treasury);
“Security Shortfall Amount”	on and for any Testing Date means the amount (if any) by which the Security Value Amount is less than 120 per cent. of the Adjusted Rolled Up ZDP Amount in each case at the relevant Testing Date;
“Security Value Amount”	on any date means the sum of: <ul style="list-style-type: none"> (a) the value ascribed to the interest, whether legal, equitable or otherwise, of property or properties or property related assets of any member of the Group (together with the assets referred to in (b), “Relevant Assets”) in respect of which the Noteholder has first

ranking security in a form acceptable to the Noteholder; and

- (b) the value of any other non-cash assets of the Company and any other member of the Group, such assets having been agreed to in advance by the Noteholder (in its absolute discretion) in respect of which the Noteholder has first ranking security in a form acceptable to the Noteholder;

“Testing Date” means 31 March, 30 June, 30 September and 31 December in each calendar year;

“ZDP Final Payment Date” means 10 April 2019;

“ZDP Shares” means the zero dividend preference shares in the capital of the Noteholder of 10p nominal value each having the rights set out in the Articles.

2 REPAYMENT

2.1 Unless previously repaid or purchased pursuant to this Condition 2, the Loan Note will be repaid by the Company at the Repayment Value on the Repayment Date (or, if that is not a Business Day, the immediately preceding Business Day).

2.2 The Noteholder shall be entitled to call for immediate repayment of the Loan Note subject to Condition 4 if any of the following (each an “Event of Default” and together “Events of Default”) occurs and is not remedied:-

- (A) an order is made or an effective resolution is passed for the winding-up of the Company or the Noteholder; or
- (B) a material breach of the covenants in Condition 6 occurs and has not been remedied to the reasonable satisfaction of the Noteholder within ninety days; or

(C) a Security Shortfall Amount exists as at any Testing Date and the Company is unable to demonstrate in writing to the satisfaction of the Noteholder within three months after any such Testing Date either that (a) the Company (or any other member of the Group) has charged by way of first ranking security in a form acceptable to the Noteholder and in favour of the Noteholder additional Relevant Assets having a value equal to such Security Shortfall Amount (whether by one transaction or a series of transactions) or (b) such Security Shortfall Amount no longer exists; provided that the provisions of this Condition 2.2(C) shall not apply after 1 January 2019 and if the Board of the Noteholder is satisfied in its absolute discretion that the Noteholder has sufficient cash in its own bank account to fund the Final Capital Entitlement as at the ZDP Final Payment Date.

2.3 The Security Value Amount shall be calculated as at the Testing Date and such calculation shall be completed within 28 days of each Testing Date and will be calculated by the Noteholder on the following basis:

(a) the value for Relevant Assets will be as derived from the prevailing IFRS valuation of those assets from time to time; and

(b) the value of any other assets will be agreed between the Company and the Noteholder and, in the absence of agreement within 28 days of the Testing Date, as determined by the Noteholder acting reasonably and bona fide.

2.4 The Company and the Noteholder may agree a different basis for valuing the Relevant Assets and/or other assets if they believe it is in the interests of their respective companies or if they believe that the above methodologies are inappropriate in any one case or generally.

2.5 The Company may at any time purchase the Loan Note at any price by agreement with the Noteholder.

2.6 If the Loan Note is due to be purchased or repaid in whole or in part and the Noteholder shall fail or refuse to deliver up the relevant certificate(s) or to accept payment of or give a receipt for such payment, the amount payable to the Noteholder shall be deposited in a separate bank account and, subject to Condition 9, retained by the Company on trust for the Noteholder (but the Company shall not be responsible for its safe custody or the payment of any interest accrued thereon) pending the acceptance or the giving of a receipt as aforesaid, which deposit shall be deemed for all the purposes of these Conditions to be a payment to the Noteholder, and the Company shall thereby be discharged from all further obligations in respect of the Loan Note.

3 CANCELLATION

If the Loan Note is repaid or purchased pursuant to Condition 2 above, it shall be cancelled and shall not be available for reissue by the Company.

4 SUBORDINATION

The obligations of the Company under the Loan Note rank *pari passu* in all respects with those under the Contribution Agreement.

5 TRANSFER

5.1 The Loan Note shall be transferable, in full only, with the prior written consent of the Company, which consent may be given or withheld in the absolute discretion of the Company. No assignment, transfer, sale or other disposal of the Loan Note will be registered except in accordance with Conditions 7 and 8 below.

5.2 The instrument of transfer of the Loan Note may be in any usual form or any other form which the Directors may approve and must be signed by the transferor who shall be deemed to remain the owner of the Loan Note to be transferred until the name of the transferee is entered in the Register in respect thereof.

5.3 Every instrument of transfer must be lodged for registration at the Company's registered office for the time being accompanied by the certificate for the Loan Note together with such other evidence as the Directors may require to prove the title of the transferor or his right to transfer the Loan Note and, if the instrument of transfer is executed by some other person on his behalf, the authority of that

person to do so. The transfer will then be registered and a note of such registration will be entered in the Register and a new certificate for the Loan Note issued accordingly, provided that no transfer of any Loan Note in favour of more than four transferees will be registered.

6 COVENANTS BY COMPANY

The Company covenants to the Noteholder (for its own benefit and as trustee for the holders of the ZDP Shares) that, whilst it remains liable to repay the Loan Note, it will:-

- 6.1 for so long as it is the holder of all the issued ordinary share capital of the Noteholder, not vote to pass a resolution at any general meeting of the Noteholder relating to any matters which would require the previous sanction of a special resolution passed at a separate general meeting of the holders of the ZDP Shares in the Noteholder in accordance with the Articles unless such previous sanction has first been obtained from holders of the ZDP Shares;
- 6.2 not (and shall, so far as it is able, procure that none of its subsidiary undertakings shall) enter into any transaction which, if it were entered into by the Noteholder, would require the previous sanction of a special resolution passed at a separate general meeting of the holders of the ZDP Shares under the Articles or otherwise as required by law, without such previous sanction having first been obtained;
- 6.3 not, except with the previous sanction of a special resolution passed at a separate general meeting of the holders of the ZDP Shares or as required by law:
 - 6.3.1 pass, and shall procure that no other member of the Group shall pass, any resolution which authorises the directors of the relevant company to pay a dividend or other distribution or make a capital distribution or otherwise make a payment in cash or kind to the shareholders or any of them (in their capacity as such) of the relevant company;
 - 6.3.2 pass, and shall procure that no other member of the Group shall pass, a resolution to reduce the capital of the Company or any member of the Group in any manner, including any resolution authorising the directors of the relevant company to purchase shares in such company;

6.3.3 issue, and shall procure that no other member of the Group shall issue (other than to the Noteholder or any directly or indirectly wholly owned subsidiary thereof) further shares or securities, or rights to subscribe for or to convert or exchange any securities into shares or securities ranking *pari passu* with or in priority of the ZDP Shares,

(6.3.1 to 6.3.3, each, an “Action”)

save that the previous sanction of the holders of the ZDP Shares will not be required in the event that (i) the Cover Test (as defined in the Articles) will be satisfied immediately following such Action; or (ii) in the case of the payment of any dividend or other distribution or the making of any capital distribution or otherwise the making of a payment in cash or kind by a member of the Group to shareholders who are also members of the Group (“**Intra Group Distributions**”), this provision shall not be breached if the Cover immediately prior to the making of the Intra Group Distribution is not reduced as a result of the making of it;

6.4 not, except with the previous sanction of a special resolution passed at a separate general meeting of the holders of the ZDP Shares or as required by law:

6.4.1 make any variation of the terms of this Loan Note or the Contribution Agreement which, at the time of being made, could reasonably be considered to be materially prejudicial to the interests of the holders of the ZDP Shares; or

6.4.2 for so long as the Company is the holder of all of the issued ordinary shares of the Noteholder, pass a resolution amending article 49 of the Articles or releasing the board of directors of the Noteholder from its obligation to convene a general meeting on the ZDP Final Payment (or earlier in order to enable the Noteholder to make the payment of the Final Capital Entitlement on the ZDP Final Payment Date) at which a resolution will be proposed requiring the Noteholder to be wound up voluntarily; or

6.4.3 pass a resolution the effect of which is to make a fundamental change to the business model of the Company which would in any event, amount to a fundamental change for the purposes of the AIM Rules for Companies published by the London Stock Exchange;