

PEM 2000 LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2019

Company Registration No. 02183014



PEM 2000 LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

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PEM 2000 LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The Board of Directors

R Ingram (Chairman)
D Millard
K Savage
D Ardron
N Taylor

Company Secretary

N Taylor

Registered Office

Suite 1
500 Pavilion Drive
Northampton Business Park
Brackmills
Northampton
NN4 7YJ

Auditors

Jackson Stephen LLP
James House
Stonecross Business Park
Yew Tree Way
Warrington
Cheshire
WA3 3JD

PEM 2000 LIMITED

STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2019

The Directors present their strategic report on the affairs of the Company for the year ended 31 December 2019.

Principal Activity and Business Review

The Company's principal activity during the year was to hold property, which it develops and rents to Perrys East Midlands Limited.

Financial Performance

The directors are pleased with the performance of the Company during 2019 with the Company earning a profit after tax for the year of £813,859 compared to a profit after tax of £1,769,064 in 2018. At Operating Profit level (after deducting the exceptional profit earned on the disposal of properties in 2018) the result in 2019 is an improvement over 2018 (£1,059,326 against £981,978 in 2018).

The result means that the Company now has positive capital and reserves.

The accounts for 2019 are the first accounts following the adoption of IFRS 16 *Leases*. There is no impact on these accounts as the Company doesn't have any formal lease agreements.

The results of the Company are shown on page 12 of the financial statements.

Capital expenditure

There were no major additions or disposals made during the year.

Principal risks and uncertainties

The main risk factors are set out below but are not an exhaustive list of risks and uncertainties that could adversely impact on the Company's performance.

Key Management

The Company is dependent on its senior management team. Recruitment procedures and remuneration packages are regularly reviewed to ensure the Company attracts and retains management of the required level.

Liquidity

The Company finances its operations through a mixture of retained profits, intercompany loans and bank borrowings. Movements in interest rates can impact profitability. In addition a withdrawal of financing facilities or failure to renew them as they expire could lead to an inability to finance trading. The utilisation of working capital is closely monitored and regular cash flow forecasts are prepared. The Company maintains relationships with several providers of finance to ensure that a comprehensive range of funding is available.

STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2019

Information Systems

The Company is dependent upon a number of business critical computer systems which, if interrupted for any length of time, could impact on the efficient running of the Company's business. The Company has in place a business continuity plan to ensure that the Company can continue to operate should the systems be compromised. The Company also has an appropriate level of cyber liability insurance.

Coronavirus

The developing situation in relation to the outbreak of Coronavirus (COVID-19) is constantly under review. The immediate focus is the health, safety and well being of our team members, customers and suppliers. We have a crisis management team whose role is to co-ordinate our response and introduce new measures such as home working.

The Directors consider that the Coronavirus pandemic presents significant challenges and uncertainties to future trading conditions. Whilst the directors have instituted measures to preserve cash and improve performance, there remains a level of uncertainty over future trading results and cash flows.

Section 172(1) statement

In discharging their duty to promote the interests of the Company under section 172 Companies Act 2006, the Directors of the Company have regard to a number of factors and stakeholder interests. These are described below.

The Company is a wholly owned subsidiary and does not have any employees. Accordingly, the Directors do not consider the factors listed in section 172(1)(b) (interests of the Company's employees), section 172(1)(d) (the impact of the Company's operations on the community and the environment) or section 172(1)(f) (need to act fairly between the members of the Company) are relevant to the proper discharge of their duty under section 172.

Each of these factors are considered in relation to the Group's broader operations as explained in the section 172(1) statement within the financial Statements of Perrys Group limited (the ultimate parent of PEM 2000 Limited) for the year ended 31 December 2019.

Long term consequences of business decisions and maintaining reputation for high standards of business conduct

The Company holds predominantly freehold properties which it develops and rents to its holding company. Accordingly consideration of long term consequences are an inherent part of the Company's decision making process. The Group is privately owned and the Board considers that the interests of the Company and its ultimate owners are aligned in seeking sustainable value creation over the longer term promoting long term strategic decision making.

PEM 2000 LIMITED

STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2019

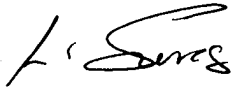
Identification of, and engagement with, stakeholder groups

The Company recognises the importance of maintaining strong relationships with its stakeholders in order to create sustainable long term value and the Board encourages active dialogue with all its stakeholder groups. The Board believes that the two main stakeholder groups which are relevant to the proper discharge of the duties of the Directors of the Company under section 172(1) are:-

- The Group's external lenders;
- The Group's owners.

Details of these groups, and the main methods the Directors have used to engage with those stakeholders during the course of the year, is set out in the corporate governance statement within the financial statements of Perrys Group Limited for the year ended 31 December 2019.

The strategic report was approved on 4 June 2020 on behalf of the board by



K Savage
Director

PEM 2000 LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2019

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2019.

Dividends

No dividends have been paid or declared during the year.

Directors

The directors that served during the year were as follows:

R Ingram (Chairman)
D Millard
K Savage
D Ardron
N Taylor

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Future Developments

Future developments are considered in the Strategic Report on pages 3 to 5.

Corporate and Social Responsibility

Corporate and Social Responsibility are important to the Company.

Health and Safety

Health and Safety is of prime importance to the Company. The Company has a consistent framework for Health and Safety applied to all operations.

Environmental matters

The Company's strategy on environmental matters is to ensure legal and regulatory compliance as well as seeking to reduce costs through effective resource management.

PEM 2000 LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2019

Community Support

The Company is proud to work with a diverse range of national and local charities and local community based organisations.

Strategic Report

Some information required by Schedules 7 & 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 has been included in the separate Strategic Report in accordance with sections 414c(11) and 172(1) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Labour Standards and Human Rights

In 2015 the UK Government published the Modern Slavery Act (MSA) which places a duty on companies to make a public statement on the steps to minimise the possibility that slavery or human trafficking is happening in their own business or in their supply chain. This statement can be found on the Group's website at www.perrys.co.uk.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Jackson Stephen LLP will therefore continue in office.

Registered Office:
Suite 1
500 Pavilion Drive
Northampton Business Park
Brackmills
Northampton
NN4 7YJ

Signed by order of the directors



N Taylor
Company Secretary

Approved by the directors on 4 June 2020

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE
DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2019

The directors are responsible for preparing the Strategic Report and the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEM 2000 LIMITED

Opinion

We have audited the financial statements of PEM 2000 Limited ("the Company") for the year ended 31 December 2019 which comprise the Income Statement and Statement of Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEM 2000 LIMITED

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEM 2000 LIMITED

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

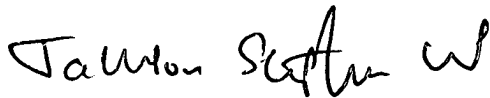
Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Christopher Moss BSc F.C.A. (Senior Statutory Auditor)
for and on behalf of Jackson Stephen LLP

Chartered Accountants
Statutory Auditor
James House
Stonecross Business Park
Yew Tree Way
Warrington
Cheshire
WA3 3JD

Date: 09/06/2020

PEM 2000 LIMITED

INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	* 2018 £
Revenue	7	1,222,008	1,110,333
Administrative expenses	8	(162,682)	(128,355)
Gross profit		<u>1,059,326</u>	<u>981,978</u>
Operating profit		<u>1,059,326</u>	<u>981,978</u>
Exceptional income	9	-	807,800
Finance costs	11	<u>(71,029)</u>	<u>(19,637)</u>
Profit on ordinary activities before tax		988,297	1,770,141
Taxation on ordinary activities	12	(174,438)	(1,077)
Profit on ordinary activities after tax		<u>813,859</u>	<u>1,769,064</u>
Statement of other comprehensive income		-	-
Other comprehensive income for the year net of income tax		-	-
Total comprehensive income for the year		<u>813,859</u>	<u>1,769,064</u>

The notes on pages 15 to 30
form part of the financial statements

PEM 2000 LIMITED
Company Registration Number 02183014
BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
Fixed assets			
Investment property	14	14,909,107	15,022,378
Total current assets		-	-
Creditors: Amounts falling due within one year			
Interest-bearing loans and borrowings	18	269,500	269,500
Amounts due to group undertakings	20	13,199,803	13,840,743
Trade and other payables	19	4,170	68,690
Current tax payable	13	85,727	10,195
Total current liabilities		13,559,200	14,189,128
Net current liabilities		(13,559,200)	(14,189,128)
Total assets less current liabilities		1,349,907	833,250
Creditors: Amounts falling due after one year			
Interest-bearing loans and borrowings	18	433,715	703,215
Derivative financial instruments	18	360,916	487,524
		794,631	1,190,739
Provision for liabilities			
Deferred tax liabilities	16	346,728	247,822
Total non-current liabilities		1,141,359	1,438,561
Net assets/(liabilities)		208,548	(605,311)
Capital and reserves			
Share capital	17	2	2
Retained earnings		208,546	(605,313)
Total shareholders' funds		208,548	(605,311)

These financial statements were approved on 4 June 2020 on behalf of the board by



K Savage
Director



N Taylor
Director

The notes on pages 15 to 30 form part of the financial statements

PEM 2000 LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

	Share capital £	Retained earnings £	Total £
Year ended 31 December 2019			
Balance at 1 January 2019	2	(605,313)	(605,311)
Profit for the year	-	813,859	813,859
Total comprehensive income for the year	-	813,859	813,859
Balance at 31 December 2019	<u>2</u>	<u>208,546</u>	<u>208,548</u>

	Share capital £	Retained earnings £	Total £
Year ended 31 December 2018			
Balance at 1 January 2018	2	(2,374,377)	(2,374,375)
Profit for the year	-	1,769,064	1,769,064
Total comprehensive income for the year	-	1,769,064	1,769,064
Balance at 31 December 2018	<u>2</u>	<u>(605,313)</u>	<u>(605,311)</u>

The notes on pages 15 to 30 form part of the financial statements

PEM 2000 LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

1 Significant accounting policies

PEM 2000 Limited (the "Company") is a company domiciled in the United Kingdom.

These financial statements were authorised for issue by the directors on 4 June 2020.

2 Statement of compliance

The Company's financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"). The Company has elected to prepare its financial statements in accordance with FRS 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2016/17 cycle issued in July 2017 and amendment issued in December 2017) have been applied.

3 Basis of preparation

The financial statements are presented in sterling. The financial statements have been prepared on the going concern basis under the historic cost convention, as modified by the fair valuing of certain financial assets and liabilities (including derivative financial instruments).

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

The Company's ultimate parent undertaking (Perrys Group Limited) includes the Company in its consolidated financial statements. The consolidated financial statements of Perrys Group Limited are prepared in accordance with International Financial Reporting Standards, as adopted by the EU and are available to the public and may be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A cash flow statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- Disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of Perrys Group Limited include the equivalent disclosures, the Company has also taken exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 'Share Based Payments' in respect of Company settled share based payments;
- Certain disclosures required by IAS 36 'Impairment of assets' in respect of the impairment of goodwill;
- Certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instrument Disclosures'.

PEM 2000 LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

3 Basis of preparation *(continued)*

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 3 to 5.

The financial statements show net assets of £208,548. There is an amount of £13,199,803 which is owed to the parent company, Perrys East Midlands Limited. The directors believe the accounts should be prepared on the going concern basis for the following reasons:

- The Company is profitable but dependent for its working capital on the continuing support of its parent and ultimate parent company.
- The directors have received confirmation that the ultimate parent company will continue to provide support to the company.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

4 New accounting standards

This is the first set of the Company's annual financial statements in which IFRS 16 *Leases* is applicable from 1 January 2019.

The Company does not have any formal leases and, therefore, there is no impact in applying the standard.

Standards issued but not yet effective

A number of new standards are effective for annual periods beginning on or after 1 January 2020 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

None of the standards yet effective is expected to have a material impact on the Company's financial statements in the period of initial application.

PEM 2000 LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

5 Significant accounting policies

Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation. The cost or deemed cost of each freehold and long leasehold building less its residual value is depreciated on a straight line basis over its estimated useful economic life of 50 years.

Capitalisation of borrowing costs

The Company capitalises borrowing costs which are directly attributable to the acquisition, construction or production of qualifying assets. Borrowing costs which do not meet this criteria are expensed.

Disposals

The gain or loss arising on the disposal or retirement on an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value of the asset and is recognised in the income statement.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently at amortised cost less provision for impairment. Provision is made when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

PEM 2000 LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

5 Significant accounting policies (continued)

Impairment

The carrying amount of the Company's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, the recoverable amount is estimated at each balance sheet date. The recoverable amount is calculated as the higher of fair value less costs to sell and value in use. In assessing value in use the estimated future cash flows from operations are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amounts of other assets in the unit. An impairment loss in respect of goodwill is not reversed.

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation if no impairment loss had been recognised.

Share capital

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

PEM 2000 LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

5 Significant accounting policies (continued)

Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings. Finance charges associated with arranging a bank facility are recognised in the income statement over the life of the facility. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Provisions

A provision is recognised if as a result of a past event the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that the company will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently at amortised cost.

Revenue

Revenue is measured at invoiced amount and represents rental income from property which is occupied by Perrys East Midlands Limited. Revenue is recognised on a straight-line basis over the term of the lease. Rental payments are made monthly.

Balances carried forward are included in contract liabilities.

Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Company. They are items that are material either because of their size or their nature and are nonrecurring.

PEM 2000 LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

5 Significant accounting policies (continued)

Finance costs

Finance costs comprise interest payable on borrowings.

Costs of raising finance are initially offset against proceeds of the finance raised and then amortised over the life of the instrument.

Interest expense is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest expense, the effective interest rate is applied to the amortised cost of the liability.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment for tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets are provided to the extent that it is probable that taxable profits will be available against which deductible timing differences can be utilised. The carrying values of deferred tax assets are reviewed at each balance sheet date and recognised to the extent that it is probable that the related tax benefit will be realised.

PEM 2000 LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

5 Significant accounting policies (continued)

Financial instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Company has also adopted consequential amendments to IAS 1 Presentation of Financial Statements. Impairment losses on trade receivables are not presented separately in the income statement due to materiality considerations.

Classification and measurement of financial assets and liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial liabilities are classified as measured at amortised cost or FVTPL.

The following table shows the measurement category under IFRS 9 for each class of the Company's assets and financial liabilities:

Financial assets / liabilities	Classification under IFRS 9
Financial assets	
Trade and other receivables	Amortised cost
Financial liabilities	
Bank loans and borrowings	Other financial liabilities
Interest rate swaps not used for hedging	FVTPL

Initial recognition

Financial assets (unless it is a trade receivable without a significant financing component) and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (except those at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. A trade receivable without a significant financing component is initially measured at the transaction price.

PEM 2000 LIMITED
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YEAR ENDED 31 DECEMBER 2019

5 Significant accounting policies (continued)

Subsequent measurement - financial assets

Financial assets at amortised cost are subsequently measured at amortised cost reduced by impairment losses.

Subsequent measurement - financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derivative financial instruments

Derivative financial instruments are used to reduce the exposure to interest rate movements. Derivative financial instruments are not held or issued for speculative purposes.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value. The fair value of a derivative financial instrument represents the difference between the value of the outstanding contracts at their contracted interest rates and a valuation calculated using the interest rates prevailing at the balance sheet date.

Fair value estimation

Interest rate swap contracts are marked to market to produce fair value valuations.

PEM 2000 LIMITED
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5 Significant accounting policies (continued)

Provisions

A provision is recognised if as a result of a past event the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that the company will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

6 Critical judgements and estimations

The Company applies judgement in how it applies its accounting policies which could materially affect the numbers disclosed in the financial statements. There are however no such key accounting judgements applied in these financial statements.

7 Revenue

Revenue is the value of rents invoiced, recognised in accordance with the Company's accounting policy on revenue. Rents are charged and recognised on a monthly basis.

	2019	2018
	£	£
Investment property rental (excluding service charges)	<u>1,222,008</u>	<u>1,110,333</u>

Disaggregation of revenue from contracts with customers

In the following tables, investment property rental is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition.

PEM 2000 LIMITED
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YEAR ENDED 31 DECEMBER 2019

7 Revenue (continued)

	2019	2018
	£	£
Primary geographic markets		
East Midlands	<u>1,222,008</u>	<u>1,110,333</u>
Major products and service lines	2019	2018
	£	£
Property rental	<u>1,222,008</u>	<u>1,110,333</u>

There are no receivables and contract liabilities from contracts with customers at 31 December 2019 or 1 January 2019.

The amount of £ Nil recognised in contract liabilities at the beginning of the period has been recognised as revenue for the period ended 31 December 2019.

The amount of revenue recognised in the period ended 31 December 2019 from performance obligations satisfied (or partially satisfied) in previous periods is £ Nil.

No information is provided about remaining performance obligations at 31 December 2019 that have an original expected duration of one year or less, as allowed by IFRS 15.

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good or service to a customer.

PEM 2000 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

8 Operating expenses

	2019 £	2018 £
Auditor's remuneration	3,000	3,000
Depreciation on property	159,682	125,355
	<u>162,682</u>	<u>128,355</u>

9 Exceptional items

	2019 £	2018 £
Profit from disposal of Chesterfield properties	<u>-</u>	<u>807,800</u>

10 Directors Emoluments

The Company has received services to the value of £100,000 (2018: £100,000) relating to Directors who are paid by fellow subsidiaries.

11 Finance costs

	2019 £	2018 £
Fair value movement on interest rate swap	52,168	(7,332)
On bank loans and overdrafts	18,861	26,969
	<u>71,029</u>	<u>19,637</u>

12 Income tax expense

Recognised in the income statement

	2019 £	2018 £
Current tax expense		
Current year	85,727	10,371
Adjustments for prior years	(10,195)	(23,651)
Total current tax expense	<u>75,532</u>	<u>(13,280)</u>
Deferred tax expense		
Current year (origination and reversal of timing differences)	92,996	7,780
Adjustments for prior years	5,910	6,577
Total deferred tax expense	<u>98,906</u>	<u>14,357</u>
Total income tax charge in the income statement	<u>174,438</u>	<u>1,077</u>

PEM 2000 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

12 Income tax expense (continued)

Reconciliation of effective tax rate

	2019 %	2019 £	2018 %	2018 £
Profit before tax		988,297		1,770,141
Income tax using the domestic corporation tax rate	19.00%	187,776	19.00%	336,326
Non-deductible expenses	0.0%	-	(8.7%)	(153,482)
Capital allowances in deficit of depreciation	0.5%	4,647	0.2%	3,140
Transfer pricing	(8.3%)	(82,425)	(5.5%)	(98,173)
Other timing differences	(2.5%)	(24,271)	(1.4%)	(24,271)
Change in tax rate	3.0%	29,851	-	-
Group relief	0.0%	-	(3.0%)	(53,170)
Adjustments for prior years tax	(1.0%)	(10,195)	(1.3%)	(23,651)
Other adjustments for deferred tax	7.0%	69,055	0.8%	14,358
	17.7%	174,438	0.1%	1,077

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 19% to 17% (effective 1 April 2020) were substantively enacted on 6 September 2016. It was announced in the Government's Spring 2020 Budget that the reduction from 19% to 17% will not go ahead and the CT rate will remain at 19%. The directors have therefore decided to account for deferred tax in these statements at a rate of 19%.

13 Current tax liabilities

The current tax liability of £85,727 (2018: £10,195) represents the amount of income taxes payable.

14 Investment property

	Owned Property £
2019	
Cost	
Balance at 1 January 2019	15,766,371
Additions	46,267
Intergroup transfers - additions	770
Balance at 31 December 2019	15,813,408
Depreciation and impairment losses	
Balance at 1 January 2019	743,993
Depreciation charge for the year	159,682
Intergroup transfers - additions	626
Balance at 31 December 2019	904,301
Carrying amounts	
At 31 December 2019	14,909,107

PEM 2000 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

14 Investment property (continued)

2018

Cost

Balance at 1 January 2018	17,946,155
Disposals	(3,667,677)
Additions	1,487,893
Balance at 31 December 2018	<u>15,766,371</u>

Depreciation and impairment losses

Balance at 1 January 2018	686,955
Disposals	(68,317)
Depreciation charge for the year	125,355
Balance at 31 December 2018	<u>743,993</u>

Carrying amounts

At 31 December 2018	<u>15,022,378</u>
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Security

Property loans and bank overdrafts are secured over the property, plant and equipment of the Company.

As at 31 December 2015 a valuation was performed by Jones Lang Lasalle of all freehold and long leasehold properties. The valuations were based on market value, assuming continuation of current use and indicated a surplus in carrying value of £760,000. £250,000 of this surplus was in respect of the Chesterfield properties sold in 2018.

These valuations were not incorporated into the financial statements but confirm the directors' view that the book values of the properties are consistent with their fair values. The directors believe that there have not been any material changes in circumstances which would lead to a significant change in the market valuation since 31 December 2015.

15 Right of use assets

There are no formal lease agreements between the Company and its parent company Perrys East Midlands Ltd which informally rents the Company's properties. Accordingly rent streams cannot be quantified over future periods.

PEM 2000 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

16 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019	2018	2019	2018	2019	2018
	£	£	£	£	£	£
Property	-	-	413,118	354,707	413,118	354,707
Other short term timing differences	-	-	54,963	23,410	54,963	23,410
Financial derivatives	(121,353)	(130,295)	-	-	(121,353)	(130,295)
Tax (assets)/liabilities	<u>(121,353)</u>	<u>(130,295)</u>	<u>468,081</u>	<u>378,117</u>	<u>346,728</u>	<u>247,822</u>

Movement in temporary differences during the year

	Balance 1 January 2019	Recognised in income	Recognised in equity	Balance 31 December 2019
	£	£	£	£
Property	354,707	58,411	-	413,118
Other short term timing differences	23,410	31,553	-	54,963
Financial derivatives	(130,295)	8,942	-	(121,353)
	<u>247,822</u>	<u>98,906</u>	<u>-</u>	<u>346,728</u>

	Balance 1 January 2018	Recognised in income	Recognised in equity	Balance 31 December 2018
	£	£	£	£
Property	385,729	(31,022)	-	354,707
Other short term timing differences	(254)	23,664	-	23,410
Financial derivatives	(152,010)	21,715	-	(130,295)
	<u>233,465</u>	<u>14,357</u>	<u>-</u>	<u>247,822</u>

The Company has remeasured its deferred tax liability at the end of the reporting period at 19% (2018: 17%). The level of deferred tax is not expected to change significantly in the next year.

PEM 2000 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

17 Capital and reserves

Share capital	2019	2018
	£	£
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

18 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings.

	2019	2018
	£	£
Non-current liabilities		
Secured bank loans	433,715	703,215
Interest rate swaps	<u>360,916</u>	<u>487,524</u>
	<u>794,631</u>	<u>1,190,739</u>
	2019	2018
	£	£
Current liabilities		
Current portion of secured bank loans	<u>269,500</u>	<u>269,500</u>

The Company has derivative financial instruments, in the form of interest rate swaps. There are two interest rate swaps which the company entered into on 12th January 2007. The fixed rate on all the contracts is 5%, with the floating rate being LIBOR and the notional principal on all contracts is £2,000,000. The Company has contracted to exchange the floating rate for the fixed rate. The contracts are for fifteen years and will expire on 12 January 2022.

The contracts do not form an effective hedge and accordingly the gains and losses from changes in fair value of these derivatives are recognised immediately in the profit and loss account.

19 Trade and other payables

	2019	2018
	£	£
Accruals and deferred income	<u>4,170</u>	<u>68,690</u>

PEM 2000 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

20 Related parties

Amounts due to Group undertakings are non-interest bearing and have been classed as current liabilities this year as they are due on demand.

At the year end the Company had a balance payable to Perrys East Midlands Limited (its parent company) of £13,199,803 (2018: £13,840,743).

Some key management personnel hold positions in other companies that result in them having control or significant influence over those companies. Some of these companies transacted with the Company during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arms length basis.

Mr R Ingram, a director of the Company was also a consultant at Hewitsons Solicitors during 2018. During 2018 the Company purchased legal services from Hewitsons of £22,186 of which £Nil remained unpaid at the year end.

21 Ultimate Parent Company and Control of the Company

The Company is a wholly owned subsidiary of Perrys Group Limited which is the ultimate parent company. Control of Perrys Group Limited is exercised by D Millard, one of its directors and shareholders.

Perrys Group Limited, which is incorporated in England and Wales, is the only undertaking which prepares group accounts including the financial statements of the Company. Copies of these accounts are available from Companies House, Crown Way, Cardiff CF14 3UZ.